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ACM MUNICIPAL SECURITIES INCOME FUND INC

Form N-CSR

January 07, 2005

United States  
Securities and Exchange Commission  
Washington, D.C. 20549

Form N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-07510

ACM MUNICIPAL SECURITIES INCOME FUND, INC.

(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, New York 10105  
(Address of principal executive offices) (Zip code)

Mark R. Manley  
Alliance Capital Management L.P.  
1345 Avenue of the Americas  
New York, New York 10105  
(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 221-5672

Date of fiscal year end: October 31, 2004

Date of reporting period: October 31, 2004

ITEM 1. REPORTS TO STOCKHOLDERS.

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Closed End  
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AllianceBernstein [LOGO] (SM)  
Investment Research and Management

ACM Municipal Securities Income Fund

Annual Report -- October 31, 2004

Investment Products Offered

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- o Are Not FDIC Insured  
o May Lose Value  
o Are Not Bank Guaranteed  
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You may obtain a description of the Fund's proxy voting policies and procedures, and information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, without charge. Simply visit AllianceBernstein's web site at [www.alliancebernstein.com](http://www.alliancebernstein.com), or go to the Securities and Exchange Commission's (the "Commission") web site at [www.sec.gov](http://www.sec.gov), or call AllianceBernstein at (800) 227-4618.

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the Commission's web site at [www.sec.gov](http://www.sec.gov). The Fund's Forms N-Q may also be reviewed and copied at the Commission's Public Reference Room in Washington, DC; information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330

AllianceBernstein Investment Research and Management, Inc. is an affiliate of Alliance Capital Management L.P., the manager of the funds, and is a member of the NASD.

December 14, 2004

### Annual Report

This report provides management's discussion of fund performance for ACM Municipal Securities Income Fund (the "Fund"), a closed-end fund that trades under the New York Stock Exchange symbol "AMU", for the annual reporting period ended October 31, 2004.

### Investment Objective and Policies

The Fund is a closed-end management investment company designed to provide high current income exempt from regular federal income tax. The Fund invests substantially all of its assets in investment grade municipal securities. For more information regarding the Fund's risks, please see "A Word About Risk" on page 3 and "Note G--Risks Involved in Investing in the Fund" of the Notes to Financial Statements on page 21.

### Investment Results

The table on page 4 provides performance data for the Fund and its benchmark, the Lehman Brothers (LB) Municipal Index, for the six- and 12-month periods ended October 31, 2004. For comparison, returns for the Lipper General Municipal Debt Funds (Leveraged) Average (the "Lipper Average") are also included. The funds that comprise the Lipper Average have generally similar investment objectives to the Fund, although some may have different investment policies and sales and management fees.

The Fund outperformed its benchmark during both the six- and 12-month reporting periods ended October 31, 2004. The Fund's stronger relative performance during the 12-month period was largely the result of security selection in the general obligation, insured and tobacco settlement sectors. The Fund's relative exposure to the pre-refunded, industrial revenue bond and hospital sectors also

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contributed positively to the Fund's performance. In addition, the Fund's leveraged structure benefited its performance, primarily because of historically low borrowing costs. During the 12-month reporting period, the Fund also outperformed its peer group, as represented by the Lipper Average.

### Market Review and Investment Strategy

From October 31, 2003 to October 31, 2004, yields for long-term municipal bonds declined and yields for short-term municipal bonds rose. For example, yields for bonds maturing in 20 years declined by 0.37%; yields for 5-year bonds rose 0.21%. Institutional investors generated strong demand for bonds maturing in 20 years. Short maturity bond yields generally rose as investors anticipated a stronger economy and likely tighter monetary policy by the U.S. Federal Reserve. Over that time period, the long municipal bond market outperformed the taxable bond market. For example, the LB Municipal Index gained 6.03% during the 12-month reporting period ended October 31, 2004 while the LB U.S. Aggregate Index, representing taxable bonds, generated a return of 5.53% over the same period. The Treasury bond component of the LB U.S. Aggregate Index posted an even lower return of 4.97%. As of October 31, 2004, 30-year municipal bonds were yielding approximately 96% of comparable maturity Treasury bonds.

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ACM MUNICIPAL SECURITIES INCOME FUND o 1

The low rate environment has resulted in continued strong demand for lower-rated bonds that carry higher yields. Bonds in sectors with generally lower credit profiles again led the market in performance; the industrial development and hospital sub-sectors of the LB Municipal Index, for example, generated returns of 10.47% and 8.52%, respectively. Several states, notably California, showed improved credit fundamentals compared to the beginning of 2004 and, as a result, their bonds outperformed the general market.

During the annual reporting period, the Fund's portfolio management team employed a number of investment strategies which included reducing the Fund's exposure to 30-year 5.0% coupon bonds and replacing the longer maturity bonds with 20- to 25-year 5.0%-5.25% coupon bonds. The team also increased the term structure diversification of the Fund's investment portfolio. In addition, the team focused on buying premium coupon callable bonds versus discount coupon bonds and non-callable bonds, and capitalized on the market's strong demand for yield by selling lower-rated bonds.

### In Memory

It is with sadness that we announce the passing of Clifford L. Michel, a member of the Board of Directors of ACM Municipal Securities Income Fund. Mr. Michel served the interests of the Fund's shareholders for the last 11 years. His hard work, dedication and contributions to the Fund will be greatly missed.

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2 o ACM MUNICIPAL SECURITIES INCOME FUND

### Historical Performance

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HISTORICAL PERFORMANCE

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### An Important Note About the Value of Historical Performance

The performance on the following page represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. Returns are annualized for periods longer than one year. All fees and expenses related to the operation of the Fund have been deducted. Performance assumes reinvestment of distributions and does not account for taxes.

### ACM Municipal Securities Income Fund Shareholder Information

Daily market prices for the Fund's shares are published in the New York Stock Exchange Composite Transaction section of The Wall Street Journal under the abbreviation "ACM MuniSec." The Fund's NYSE trading symbol is "AMU." Weekly comparative net asset value (NAV) and market price information about the Fund is published each Monday in The Wall Street Journal, each Sunday in The New York Times and each Saturday in Barron's and other newspapers in a table called "Closed-End Bond Funds." For additional shareholder information regarding this Fund, please see page 35.

### Benchmark Disclosure

The unmanaged Lehman Brothers (LB) Municipal Index does not reflect fees and expenses associated with the active management of a mutual fund portfolio. The Index is a total return performance benchmark for the long-term, investment grade, tax-exempt bond market. For the six- and 12-month periods ended October 31, 2004, the Lipper General Municipal Debt Funds (Leveraged) Average consisted of 66 and 65 funds, respectively. These funds have generally similar investment objectives to the Fund, although some may have different investment policies and sales and management fees. An investor cannot invest directly in an index or average, and their results are not indicative of the performance for any specific investment, including the Fund.

### A Word About Risk

Among the risks of investing in the Fund are changes in the general level of interest rates or bond credit quality ratings. Changes in interest rates have a greater effect on bonds with longer maturities than on those with shorter maturities. While the Fund invests principally in bonds and other fixed-income securities, in order to achieve its investment objectives, the Fund may at times use certain types of investment derivatives, such as options, futures, forwards and swaps. These instruments involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments. At the discretion of the Fund's Adviser, the Fund may invest up to 20% of its total assets in securities that are not rated and up to 10% in securities that are not readily marketable.

The issuance of the Fund's preferred stock results in leveraging of the Common Stock, an investment technique usually considered speculative. Leverage creates certain risks for holders of Common Stock, including higher volatility of both the net asset value and market value of the Common Stock, and fluctuations in the dividend rates on the preferred stock will affect the return to holders of Common Stock. If the Fund were fully invested in longer-term securities and if short-term interest rates were to increase, then the amount of dividends paid on the preferred shares would increase and both net investment income available for distribution to the holders of Common Stock and the net asset value of the Common Stock would decline. At the same time, the market value of the Fund's Common Stock (that is, its price as listed on the New York Stock Exchange) may, as a result, decline. Furthermore, if long-term interest rates rise, the Common Stock's net asset value will reflect the full decline in the price of the portfolio's investments, since the value of the Fund's Preferred Stock does not fluctuate. In addition to the decline in net asset value, the market value of

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the Fund's Common Stock may also decline.

(Historical Performance continued on next page)

ACM MUNICIPAL SECURITIES INCOME FUND o 3

## Historical Performance

HISTORICAL PERFORMANCE  
(continued from previous page)

THE FUND VS. ITS BENCHMARK PERIODS ENDED OCTOBER 31, 2004	Returns	
	6 Months	12 Months
ACM Municipal Securities Income Fund (NAV)	7.97%	11.20%
LB Municipal Index	4.79%	6.03%
Lipper General Municipal Debt Funds (Leveraged) Average	6.58%	8.93%

The Fund's Market Price per share on October 31, 2004 was \$12.09. For additional Financial Highlights, please see page 25.

GROWTH OF A \$10,000 INVESTMENT IN THE FUND  
10/31/94 TO 10/31/04

ACM Municipal Securities Income Fund (NAV): \$20,385  
LB Municipal Index: \$19,771

[THE FOLLOWING TABLE WAS DEPICTED BY A MOUNTAIN CHART IN THE PRINTED MATERIAL.]

	ACM Municipal Securities Income Fund (NAV)	LB Municipal Index
10/31/94	\$ 10,000	\$ 10,000
10/31/95	\$ 11,771	\$ 11,484
10/31/96	\$ 12,800	\$ 12,139
10/31/97	\$ 14,494	\$ 13,169
10/31/98	\$ 15,493	\$ 14,225
10/31/99	\$ 14,291	\$ 13,974
10/31/00	\$ 15,540	\$ 15,163
10/31/01	\$ 17,341	\$ 16,756
10/31/02	\$ 16,760	\$ 17,740
10/31/03	\$ 18,334	\$ 18,646
10/31/04	\$ 20,385	\$ 19,771

This chart illustrates the total value of an assumed \$10,000 investment in ACM

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Municipal Securities Income Fund at net asset value (NAV) (from 10/31/94 to 10/31/04) as compared to the performance of the Fund's benchmark. The chart assumes the reinvestment of dividends and capital gains.

See Historical Performance and Benchmark disclosures on previous page.

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4 o ACM MUNICIPAL SECURITIES INCOME FUND

### Portfolio Summary

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#### PORTFOLIO SUMMARY

October 31, 2004

#### PORTFOLIO STATISTICS

Net Assets of Common Shareholders (\$mil): \$126.7

Market Value of Investments (\$mil): \$222.5

#### BOND QUALITY RATING BREAKDOWN\*

49.9%	AAA
22.0%	AA
16.2%	A
10.2%	BBB
1.7%	BB

[PIE CHART OMITTED]

\* All data are as of October 31, 2004. The Fund's bond quality rating breakdown is expressed as a percentage of the Fund's total investments rated in particular ratings categories by Standard & Poor's Rating Services and Moody's Investors Service. The distributions may vary over time. If ratings are not available, the Fund's Adviser will assign ratings that are considered to be of equivalent quality to such ratings.

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ACM MUNICIPAL SECURITIES INCOME FUND o 5

### Portfolio of Investments

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#### PORTFOLIO OF INVESTMENTS

October 31, 2004

	Principal Amount (000)	Value
Long-Term Municipal Bonds-164.5%		
Alabama-3.6%		
Jefferson Cnty Wtr and Swr Rev FGIC Ser 02B		

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Prerefunded 8/01/12 @ 100		
5.00%, 2/01/41	\$ 1,535	\$ 1,713,091
Jefferson Cnty Wtr and Swr Rev		
FGIC Ser 02B		
5.00%, 2/01/41	2,465	2,786,954
		-----
		4,500,045
		-----
Alaska-6.4%		
Alaska International Airport		
MBIA Ser 03B		
5.00%, 10/01/26	1,000	1,029,160
Alaska Muni Bond Bank Auth		
MBIA Ser 03E		
5.25%, 12/01/26	3,000	3,196,860
Alaska Muni Bond Bank Auth		
MBIA Ser 04G		
5.00%, 2/15/22	1,585	1,683,333
Four Dam Pool Alaska		
Ser 04		
5.25%, 7/1/25	2,195	2,255,780
		-----
		8,165,133
		-----
Arizona-1.3%		
Arizona Cap Facs Fin Corp		
(Arizona St Univ Proj)		
6.25%, 9/01/32	1,550	1,613,504
		-----
California-17.2%		
Burbank Redev Agy		
FGIC Ser 03		
5.625%, 12/01/28	1,660	1,820,422
California Dept of Wtr		
Ser 02A		
5.375%, 5/01/22	2,000	2,171,320
California St		
General Obligation Ser 03		
5.00%, 2/01/32	2,450	2,483,173
5.00%, 2/01/33	1,100	1,114,894
California St		
General Obligation Ser 04		
5.00%, 2/01/33	1,000	1,017,960
5.125%, 4/01/23	2,000	2,128,800
Golden St		
Tobacco Settlement XLCA Ser 03B		
5.50%, 6/01/33	3,000	3,234,240

6 o ACM MUNICIPAL SECURITIES INCOME FUND

## Portfolio of Investments

	Principal Amount (000)	Value
Golden St		

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Tobacco Settlement RADIANT Ser 03B 5.50%, 6/01/43	\$ 2,250	\$ 2,392,582
Lincoln California Spl Tax Ser 04 5.90%, 9/01/2024	500	506,340
Pomona Lease Rev AMBAC Ser 03 5.50%, 6/01/24 5.50%, 6/01/34	1,465 3,000	1,624,333 3,244,830
		----- 21,738,894 -----
Colorado-0.8% Colorado Toll Rev (Hwy E-470) Ser 00 Zero coupon, 9/01/35	10,000	1,022,100
		-----
Connecticut-7.3% Connecticut Gaming Auth (Mohegan Tribe) Ser 01 6.25%, 1/01/31(a)	3,000	3,171,240
Connecticut St General Obligation MBIA Ser 412 7.96%, 12/01/11(a) (b)	5,000	6,078,700
		----- 9,249,940 -----
Florida-21.9% Florida Hsg Fin Corp Rev MFHR (Westlake Apts) FSA Ser 02-D1 AMT 5.40%, 3/01/42	8,780	8,992,652
Florida Hsg Fin Corp Rev MFHR (Westminster Apts) FSA Ser 02-E1 AMT 5.40%, 4/01/42	2,850	2,923,644
Lee Cnty Hlth Fac Rev (Shell Point Village Proj) Ser 99A 5.50%, 11/15/29	3,670	3,549,220
Miami Beach Hlth Fac Rev (Mount Sinai Med Ctr) 6.75%, 11/15/24(a)	2,000	2,130,100
Miami-Dade Cnty Spl Oblig MBIA Ser 04B 5.00%, 4/01/24	4,000	4,209,680
Orange Cnty Hlth Fac Rev (Orlando Regl Healthcare) Ser 02 5.75%, 12/01/32	1,400	1,493,142

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## Portfolio of Investments

Principal Amount (000)	Value
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Osceola Cnty Sch Brd Ctfs		
FGIC Ser 04A		
5.00%, 6/01/22	\$ 2,815	\$ 3,014,020
UCF Assn Ctfs		
FGIC Ser 04A		
5.125%, 10/01/24	1,325	1,416,279
		-----
		27,728,737
		-----
Hawaii-2.1%		
Hawaii Elec Rev		
XLCA Ser 03B AMT		
5.00%, 12/01/22	2,500	2,603,075
		-----
Illinois-9.2%		
Chicago		
General Obligation FSA Ser 04A		
5.00%, 1/01/25	2,165	2,262,577
Chicago Arpt Rev		
(O'Hare Intl Arpt) XLCA Ser B-1		
5.25%, 1/01/34	3,100	3,219,319
Chicago Hsg Agy SFMR		
(Mortgage Rev) GNMA/FNMA		
Ser 02B AMT		
6.00%, 10/01/33	710	770,180
Chicago Park Dist		
General Obligation AMBAC Ser 04A		
5.00%, 1/01/25	2,585	2,706,779
Cook Cnty Sch Dist		
FSA Ser 04		
4.60%, 12/01/20(c)	1,000	909,550
Metropolitan Pier & Exposition Rev		
(McCormick Pl) MBIA Ser 02A		
5.25%, 6/15/42	1,750	1,821,575
		-----
		11,689,980
		-----
Indiana-1.9%		
Hendricks Cnty Bldg Facs		
General Obligation Ser 04		
5.50%, 7/15/21	1,045	1,164,632
Indiana Bd Bk Rev		
FSA Ser 04B		
5.00%, 2/01/21	1,100	1,177,594
		-----
		2,342,226
		-----
Louisiana-0.1%		
Calcasieu Parish Hsg Agy SFMR		
(Mortgage Rev) GNMA/FNMA		
Ser 97A AMT		
6.40%, 4/01/32	55	56,912
		-----

8 o ACM MUNICIPAL SECURITIES INCOME FUND

Portfolio of Investments

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	Principal Amount (000)	Value
-----		
Massachusetts-13.3%		
Mass General Obligation		
FSA Ser 04D		
5.00%, 11/01/24	\$ 2,200	\$ 2,325,730
Mass General Obligation Ser 02		
Prerefunded 11/01/12 @ 100		
5.25%, 11/01/30	3,310	3,737,983
Mass General Obligation Ser 02		
5.25%, 11/01/30	1,690	1,908,517
Mass Hlth & Ed Fac Hosp Rev		
(New England Med Ctr) MBIA Ser 94		
8.83%, 7/01/18(b)	5,000	5,221,550
Mass Hsg Fin Agy MFHR		
(Rental Rev) AMBAC Ser 00A AMT		
6.00%, 7/01/41	2,965	3,123,539
Mass Hsg Fin Agy MFHR		
(Rental Rev) MBIA Ser 00H AMT		
6.65%, 7/01/41	545	587,118
		-----
		16,904,437
		-----
Michigan-5.0%		
Michigan St Hosp Rev		
(Trinity Hlth) Ser 00A		
6.00%, 12/01/27	3,000	3,291,210
Saginaw Hosp Fac Rev		
(Covenant Med Ctr) Ser 00F		
6.50%, 7/01/30	2,775	3,057,301
		-----
		6,348,511
		-----
Minnesota-0.9%		
Shakopee Health Care Facs Rev		
(St Francis Regl Med Ctr) Ser 04		
5.10%, 9/01/25	1,200	1,201,176
		-----
Mississippi-7.4%		
Adams Cnty Poll Ctl Rev		
(International Paper Co) Ser 99 AMT		
6.25%, 9/01/23	5,000	5,244,950
Gulfport Hosp Fac Rev		
(Mem Hosp at Gulfport Proj) Ser 01A		
5.75%, 7/01/31	4,000	4,176,720
		-----
		9,421,670
		-----
Nevada-1.7%		
Carson City Hosp Rev		
(Carson-Tahoe Hosp Proj)		
RADIANT Ser 03A		
5.00%, 9/01/23	2,100	2,159,157
		-----
New Jersey-3.2%		
New Jersey St Edl Facs		
AMBAC Ser 02A-213		
7.13%, 9/01/21(a) (b)	3,400	4,072,656
		-----

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ACM MUNICIPAL SECURITIES INCOME FUND o 9

Portfolio of Investments		
	Principal Amount (000)	Value
-----		
New Mexico-5.3%		
Dona Ana Cnty Tax Rev		
AMBAC Ser 03		
5.25%, 5/01/25	\$ 750	\$ 802,072
University of New Mexico		
FSA FHA Ser 04		
5.00%, 1/01/24	2,235	2,327,752
5.00%, 7/01/24	3,445	3,587,968
		-----
		6,717,792
		-----
New York-10.3%		
New York City		
General Obligation Ser 04I		
5.00%, 8/01/21	3,300	3,477,969
New York City Indl Dev Agy Rev		
(Terminal One Group) Ser 94 AMT		
6.125%, 1/01/24	8,100	8,436,555
New York City Indl Dev Agy Rev		
(British Airways) Ser 98 AMT		
5.25%, 12/01/32	1,500	1,093,515
		-----
		13,008,039
		-----
North Carolina-0.8%		
Charlotte NC Arpt Rev		
MBIA Ser 04		
5.25%, 7/01/24	1,000	1,069,070
		-----
North Dakota-2.2%		
North Dakota Hsg Fin Agy SFMR		
(Mortgage Rev) Ser 98E AMT		
5.25%, 1/01/30	2,775	2,800,363
		-----
Ohio-10.0%		
Cuyahoga Cnty Hosp Fac Rev		
(University Hosp Hlth) Ser 00		
7.50%, 1/01/30	2,400	2,664,960
Fairfield Cnty Hosp Fac Rev		
(Fairfield Med Ctr Proj) RADIAN Ser 03		
5.00%, 6/15/23	1,255	1,294,269
Ohio Hsg Fin Agy MFHR		
(Mortgage Rev) GNMA Ser 97 AMT		
6.15%, 3/01/29	4,340	4,483,741
Ohio State Wtr Dev Auth		
(North Star) Ser 95 AMT		
6.45%, 9/01/20	4,075	4,281,195
		-----

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12,724,165

Pennsylvania-4.3%

Pennsylvania Parking Fac Rev

(30th St Station) ACA Ser 02 AMT

5.875%, 6/01/33

2,050

2,139,687

10 o ACM MUNICIPAL SECURITIES INCOME FUND

## Portfolio of Investments

	Principal Amount (000)	Value
Philadelphia Gas Wks Rev		
AGC Ser 04		
5.25%, 9/01/19	\$ 2,045	\$ 2,232,711
5.25%, 8/01/21	1,000	1,076,140
		5,448,538
South Carolina-0.4%		
Richland Lexington Arpt Rev		
(Columbia Met Arpt)		
FSA Ser 04 AMT		
5.125%, 1/01/25	500	513,100
Tennessee-8.7%		
Tenn Ed Loan Rev		
(Educational Funding of South)		
Ser 97B AMT		
6.20%, 12/01/21	10,600	11,029,088
Texas-12.9%		
Dallas TX Arpt Rev		
(Fort Worth Intl Arpt) MBIA		
Ser 03A AMT		
5.25%, 11/01/25	2,000	2,095,380
Harris Cnty		
Ser 03		
5.00%, 10/01/23	1,400	1,476,482
Harris Cnty Toll Rev		
FSA Ser 02		
5.125%, 8/15/32	5,000	5,170,150
Lower Colorado Riv Auth		
AMBAC Ser 03		
5.25%, 5/15/25	1,800	1,918,782
Lower Colorado Riv Auth		
MBIA Ser 02		
5.00%, 5/15/31	1,500	1,537,920
Matagorda Cnty Rev		
(Centerpoint Energy Houston		
Electric LLC)		
Ser 04		
5.60%, 3/01/27	1,000	1,035,550
Richardson Hosp Auth Rev		

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(Richardson Medical Center) Ser 04		
6.00%, 12/01/19	915	988,255
5.875%, 12/01/24	1,155	1,195,818
Seguin Ed Fac Rev		
(Texas Lutheran Univ) Ser 04		
5.25%, 9/01/28	1,000	982,650
		-----
		16,400,987
		-----

ACM MUNICIPAL SECURITIES INCOME FUND o 11

## Portfolio of Investments

	Principal Amount (000)	Value
-----	-----	-----
Utah-2.1%		
Davis Cnty Sales Tax Rev		
AMBAC Ser 03B		
5.25%, 10/01/23	\$ 1,005	\$ 1,085,852
Salt Lake City Wtr Rev		
AMBAC Ser 04		
5.00%, 7/01/23	1,500	1,587,645
		-----
		2,673,497
		-----
Washington-1.2%		
Seattle Hsg Auth Rev MFHR		
(Wisteria Ct Proj) GNMA Ser 03		
5.20%, 10/20/28	1,475	1,526,079
		-----
Wisconsin-3.0%		
Wisconsin General Obligation Ser 03		
5.00%, 11/01/26	3,700	3,779,550
		-----
Total Long-Term Municipal Bonds		
(cost \$199,236,916)		208,508,421
		-----
Short-Term Municipal Bonds-11.1%		
Alabama-1.6%		
Decatur Indl Dev Brd		
(BP Amoco Chem Co) AMT Ser 01		
1.79%, 11/01/35(d)	2,000	2,000,000
		-----
Massachusetts-4.4%		
Massachusetts Central Artery		
Ser 00A		
1.74%, 12/01/30(d)	5,500	5,500,000
		-----
New York-3.4%		
New York City Transitional Fin Auth Rev		
NYC Recovery Ser 1-Sub 1C		
1.72%, 11/01/22(d)	4,300	4,300,000
		-----
South Carolina-0.4%		

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Florence Cnty Solid Waste Disp (Roche Carolina Inc) AMT Ser 97 1.81%, 4/01/27(d)	500	500,000
		-----
Texas-1.3% Gulf Coast Indl Dev Auth Rev (BP Global Power Corp) AMT Ser 03 1.79%, 4/01/38(d)	1,700	1,700,000
		-----
Total Short-Term Municipal Bonds (cost \$14,000,000)		14,000,000
		-----

12 o ACM MUNICIPAL SECURITIES INCOME FUND

## Portfolio of Investments

	Value
	-----
Total Investments-175.6% (cost \$213,236,916)	\$ 222,508,421
Other assets less liabilities-(4.6)%	(5,769,915)
Preferred Stock, at redemption value-(71.0)%	(90,000,000)
	-----
Net Assets Applicable to Common Shareholders-100%(e)	\$ 126,738,506
	=====

## INTEREST RATE SWAP TRANSACTIONS (see Note C)

Swap Counter Party	Notional Amount (000)	Termination Date	Rate Type		Unrealized Appreciation
			Payments made by the Fund	Payments received by the Fund	
J.P. Morgan	\$3,400	11/18/2004	1.297%	BMA* Municipal Swap Index(TM)	\$ 2,078
J.P. Morgan	5,000	7/8/2005	1.257%	BMA* Municipal Swap Index(TM)	22,630
					-----
					\$ 24,708
					=====

\* BMA (Bond Market Association)

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- (a) Private Placement.
- (b) Inverse Floater Security-Security with variable interest rate that moves in the opposite direction of short-term interest rates.
- (c) Initial yield is presented. Interest rate after 12/01/07 will be 5.00%.
- (d) Variable rate coupon, rate shown as of October 31, 2004.
- (e) Portfolio percentages are calculated based on net assets applicable to common shareholders.

### Glossary of Terms:

ACA - American Capital Access (Financial Guaranty Corporation)  
AGC - American Guaranty Corporation  
AMBAC - American Municipal Bond Assurance Corporation  
AMT - Alternative Minimum Tax  
FGIC - Financial Guaranty Insurance Company  
FHA - Federal Housing Administration  
FNMA - Federal National Mortgage Association  
FSA - Financial Security Assurance, Inc.  
GNMA - Government National Mortgage Association  
MBIA - Municipal Bond Investors Assurance Corporation  
MFHR - Multi-Family Housing Revenue  
RADIAN - Radian Group, Inc.  
SFMR - Single Family Mortgage Revenue  
XLCA - XL Capital Assurance, Inc.

See notes to financial statements.

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ACM MUNICIPAL SECURITIES INCOME FUND o 13

### Statement of Assets & Liabilities

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#### STATEMENT OF ASSETS & LIABILITIES October 31, 2004

##### ASSETS

Investments in securities, at value (cost \$213,236,916)	\$ 222,508,421
Cash	266,960
Interest receivable	3,337,877
Receivable for investment securities sold	2,040,000
Unrealized appreciation of swap contracts	24,708
Prepaid expenses	13,316

Total assets	228,191,282
--------------	-------------

##### LIABILITIES

Payable for investment securities purchased	11,174,166
Advisory fee payable	109,001
Dividend payable--preferred shares	40,077
Administrative fee payable	32,700
Accrued expenses and other liabilities	96,832

Total liabilities	11,452,776
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PREFERRED STOCK, AT REDEMPTION VALUE	
\$.01 par value per share; 3,600 shares	
Auction Preferred Stock authorized,	
issued and outstanding at \$25,000	
per share liquidation preference	90,000,000
-----	
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	\$ 126,738,506
=====	
COMPOSITION OF NET ASSETS APPLICABLE TO	
COMMON SHAREHOLDERS	
Common Stock, \$.01 par value per share;	
99,996,400 shares authorized,	
11,140,470 shares issued and outstanding	\$ 111,405
Additional paid-in capital	140,842,492
Undistributed net investment income	119,931
Accumulated net realized loss on investment transactions	(23,631,535)
Net unrealized appreciation of investments	9,296,213
-----	
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	\$ 126,738,506
=====	
NET ASSET VALUE APPLICABLE TO COMMON SHAREHOLDERS	
(based on 11,140,470 common shares outstanding)	\$11.38
=====	

See notes to financial statements.

## 14 o ACM MUNICIPAL SECURITIES INCOME FUND

### Statement of Operations

#### STATEMENT OF OPERATIONS Year Ended October 31, 2004

INVESTMENT INCOME		
Interest		\$ 11,807,915
EXPENSES		
Advisory fee	\$ 1,069,790	
Administrative fee	320,937	
Auction Preferred Stock--auction		
agent's fees	225,873	
Audit and legal	134,014	
Custodian	125,113	
Printing	42,789	
Directors' fees and expenses	34,615	
Transfer agency	26,694	
Registration fees	24,461	
Miscellaneous	46,198	
-----		
Total expenses		2,050,484
-----		
Net investment income		9,757,431
-----		
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on:		



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Investment transactions	397,519
Swap transactions	(9,493)
Net change in unrealized appreciation/ depreciation of:	
Investments	4,142,446
Swaps	24,708
	-----
Net gain on investments	4,555,180
	-----
DIVIDENDS TO AUCTIONED PREFERRED SHAREHOLDERS FROM	
Net investment income	(980,894)
	-----
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS	\$ 13,331,717
	=====

See notes to financial statements.

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ACM MUNICIPAL SECURITIES INCOME FUND o 15

## Statement of Changes in Net Assets

### STATEMENT OF CHANGES IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS

	Year Ended October 31, 2004 =====	Year Ended October 31, 2003 =====
INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS		
Net investment income	\$ 9,757,431	\$ 10,678,570
Net realized gain (loss) on investment transactions	388,026	(4,988,518)
Net change in unrealized appreciation/depreciation of investments	4,167,154	6,318,119
DIVIDENDS TO AUCTION PREFERRED SHAREHOLDERS FROM		
Net Investment Income	(980,894)	(1,026,752)
	-----	-----
Net increase in net assets applicable to common shareholders resulting from operations	13,331,717	10,981,419
DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM		
Net investment income	(9,660,631)	(8,802,335)
COMMON STOCK TRANSACTIONS		
Reinvestment of dividends resulting in the issuance of common stock	744,979	820,580

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Total increase	4,416,065	2,999,664
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS		
Beginning of period	122,322,441	119,322,777
End of period (including undistributed net investment income of \$119,931 and \$1,013,518, respectively)	\$ 126,738,506	\$ 122,322,441
	=====	=====

See notes to financial statements.

16 o ACM MUNICIPAL SECURITIES INCOME FUND

## Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS  
October 31, 2004

### NOTE A

#### Significant Accounting Policies

ACM Municipal Securities Income Fund, Inc. (the "Fund"), was incorporated in the state of Maryland on February 11, 1993 and is registered under the Investment Company Act of 1940 as a diversified, closed-end management investment company. The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, which require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund.

#### 1. Security Valuation

Portfolio securities are valued at their current market value determined on the basis of market quotations or, if market quotations are not readily available or are deemed unreliable, at "fair value" as determined in accordance with procedures established by and under the general supervision of the Fund's Board of Directors.

In general, the market value of securities which are readily available and deemed reliable are determined as follows. Securities listed on a national securities exchange or on a foreign securities exchange are valued at the last sale price at the close of the exchange or foreign securities exchange. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices on such day. Securities listed on more than one exchange are valued by reference to the principal exchange on which the securities are traded; securities not listed on an exchange but traded on The NASDAQ Stock Market, Inc. ("NASDAQ") are valued in accordance with the NASDAQ Official Closing Price; listed put or call options are valued at the last sale price. If there has been no sale on that day, such securities will be valued at the closing bid prices on that day; open futures contracts and options thereon

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are valued using the closing settlement price or, in the absence of such a price, the most recent quoted bid price. If there are no quotations available for the day of valuation, the last available closing settlement price is used; securities traded in the over-the-counter market, (OTC) (but excluding securities traded on NASDAQ) are valued at the mean of the current bid and asked prices as reported by the National Quotation Bureau or other comparable sources; U.S. Government securities and other debt instruments having 60 days or less remaining until maturity are valued at amortized cost if their original maturity was 60 days or less; or by amortizing their fair value as of the 61st day prior to maturity if their original term to maturity exceeded 60 days; fixed-income securities, including mortgage backed and asset backed securities, may be valued on the basis of prices provided by a pricing service or at a price obtained from one or more of the major broker/dealers. In cases where broker/dealer quotes are obtained, Alliance Capital Management, L.P. (the "Adviser") may

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ACM MUNICIPAL SECURITIES INCOME FUND o 17

### Notes to Financial Statements

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establish procedures whereby changes in market yields or spreads are used to adjust, on a daily basis, a recently obtained quoted price on a security; and OTC and other derivatives are valued on the basis of a quoted bid price or spread from a major broker/dealer in such security.

Securities for which market quotations are not readily available (including restricted securities) or are deemed unreliable are valued at fair value. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, analysis of the issuer's financial statements or other available documents. In addition, the Fund may use fair value pricing for securities primarily traded in non-U.S. markets because, most foreign markets close well before the Fund values its securities at 4:00 p.m., Eastern Time. The earlier close of these foreign markets gives rise to the possibility that significant events, including broad market moves, may have occurred in the interim and may materially affect the value of those securities.

#### 2. Taxes

It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its investment company taxable income and net realized gains, if any, to shareholders. Therefore, no provisions for federal income or excise taxes are required.

#### 3. Investment Income and Investment Transactions

Interest income is accrued daily. Investment transactions are accounted for on the trade date securities are purchased or sold. Investment gains and losses are determined on the identified cost basis. The Fund amortizes premiums and accretes original issue discounts and market discounts as adjustments to interest income.

#### 4. Dividends and Distributions

Dividends and distributions to shareholders are recorded on the ex-dividend date. Income and capital gains distributions are determined in accordance with

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federal tax regulations and may differ from those determined in accordance with U.S. generally accepted accounting principles. To the extent these differences are permanent, such amounts are reclassified within the capital accounts based on their federal tax basis treatment; temporary differences do not require such reclassification.

### NOTE B

#### Advisory, Administrative Fees and Other Transactions with Affiliates

Under the terms of an investment advisory agreement, the Fund pays the Adviser an advisory fee at an annual rate of .50 of 1% of the average weekly net assets of the Fund. Such fee is accrued daily and paid monthly.

Under the terms of a Shareholder Inquiry Agency Agreement with Alliance Global Investor Services, Inc. (AGIS), an affiliate of the Adviser, the Fund reim-

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18 o ACM MUNICIPAL SECURITIES INCOME FUND

#### Notes to Financial Statements

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burses AGIS for costs relating to servicing phone inquiries for the Fund. During the year ended October 31, 2004, there was no reimbursement paid to AGIS.

Under the terms of an Administration Agreement, the Fund pays Alliance Capital Management L.P. (the "Administrator") an administration fee at an annual rate of .15 of 1% of the average weekly net assets of the Fund. Such fee is accrued daily and paid monthly. The Administrator has engaged Prudential Investments LLC (the "Sub-Administrator"), an indirect, wholly-owned subsidiary of Prudential Financial, Inc., to act as sub-administrator. The Administrator, out of its own assets, will pay the Sub-Administrator a monthly fee equal to an annual rate of .10 of 1% of the Fund's average weekly net assets. The Sub-Administrator prepares financial and regulatory reports for the Fund and provides other clerical services.

### NOTE C

#### Investment Transactions

Purchases and sales of investment securities (excluding short-term investments) for the year ended October 31, 2004, were as follows:

	Purchases =====	Sales =====
Investment securities (excluding U.S. government securities)	\$ 75,792,898	\$ 74,400,753
U.S. government securities	-0-	-0-

The cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes. Accordingly, gross unrealized appreciation and unrealized depreciation (excluding swaps) are as follows:

Gross unrealized appreciation	\$ 10,307,605
Gross unrealized depreciation	(1,202,180)

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Net unrealized appreciation	\$ 9,105,425
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## Swap Agreements

The Fund may enter into swaps to hedge its exposure to interest rates and credit risk and for investment purposes. A swap is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specific amount of an underlying asset. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Risks may arise as a result of the failure of the counterparty to the swap contract to comply with the terms of the swap contract. The loss incurred by the failure of the counterparty is generally limited to the net interest payment to be received by the Fund, and/or the termination value at the end of the contract. Therefore, the Fund considers the creditworthiness of each counterparty to a swap contract in evaluating potential credit risk. Additionally, risks may arise from unanticipated movements in interest rates or in the value of the underlying securities.

ACM MUNICIPAL SECURITIES INCOME FUND o 19

## Notes to Financial Statements

As of November 1, 2003, the Fund has adopted the method of accounting for interim payments on swap contracts in accordance with Financial Accounting Standards Board Statement No. 133. The Fund accrues for the interim payments on swap contracts on a daily basis, with the net amount recorded within unrealized appreciation/depreciation of swap contracts on the statement of assets and liabilities. Once the interim payments are settled in cash, the net amount is recorded as realized gain/loss on swaps, in addition to realized gain/loss recorded upon the termination of swap contracts on the statement of operations. Prior to November 1, 2003, these interim payments were reflected within interest income/expense in the statement of operations. Fluctuations in the value of swap contracts are recorded as a component of net change in unrealized appreciation/depreciation of investments.

## NOTE D

### Distributions To Common Shareholders

The tax character of distributions to be paid for the year ending October 31, 2004 will be determined at the end of the current fiscal year. The tax character of distributions paid to common shareholders during the fiscal years ended October 31, 2004 and October 31, 2003 were as follows:

	2004	2003
	=====	=====
Distributions paid from:		
Ordinary income	\$ 65,384	\$ 87,103
Tax-exempt income	9,595,248	8,715,232
	-----	-----
Total distributions paid	\$ 9,660,632	\$ 8,802,335
	=====	=====

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As of October 31, 2004, the components of accumulated earnings/(deficit) applicable to common shareholders on a tax basis were as follows:

Undistributed net tax exempt income	\$ 162,944
Accumulated capital and other losses	(23,465,455) (a)
Unrealized appreciation/(depreciation)	9,127,197 (b)
	-----
Total accumulated earnings/(deficit)	\$ (14,175,314) (c)
	=====

(a) On October 31, 2004, the Fund had a net capital loss carryforward of \$23,465,455 of which \$6,110,148 expires in the year 2007, \$10,294,946 expires in the year 2008, \$1,971,343 expires in the year 2010, and \$5,089,018 expires in the year 2011. To the extent future capital gains are offset by capital loss carryforward, such gains will not be distributed. During the current fiscal year capital loss carryforward of \$365,370 was utilized.

(b) The difference between book-basis and tax-basis unrealized appreciation/(depreciation) is attributable primarily to the tax deferral of losses on wash sales and the difference between the book and tax treatment of swap income.

(c) The difference between book-basis and tax-basis components of accumulated earnings/(deficits) is attributable primarily to dividends payable.

During the current fiscal year, permanent differences, primarily due to the tax treatment of swap income, resulted in a net decrease of undistributed net investment income, and a decrease in accumulated net realized loss on investment transactions. This reclassification had no effect on net assets.

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20 o ACM MUNICIPAL SECURITIES INCOME FUND

### Notes to Financial Statements

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#### NOTE E

##### Common Stock

There are 99,996,400 shares of \$0.01 par value common stock authorized. There are 11,140,470 shares of common stock outstanding at October 31, 2004. During the year ended October 31, 2004 and the year ended October 31, 2003, the Fund issued 65,850 and 73,818 shares, respectively, in connection with the Fund's dividend reinvestment plan.

#### NOTE F

##### Preferred Stock

The Fund has issued and outstanding 3,600 shares of Auction Preferred Stock, consisting of 1,200 shares each of Series A, Series B and Series C. The preferred shares have a liquidation value of \$25,000 per share plus accumulated, unpaid dividends.

The dividend rate on Series A is 1.323%, effective through March 9, 2005. The dividend rate on Series B is 1.55%, effective through November 1, 2004. The

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dividend rate on Series C is 1.51%, effective through November 4, 2004.

At certain times, the Preferred Shares are redeemable by the Fund, in whole or in part, at \$25,000 per share plus accumulated, unpaid dividends.

Although the Fund will not ordinarily redeem the Preferred Shares, it may be required to redeem shares if, for example, the Fund does not meet an asset coverage ratio required by law or to correct a failure to meet a rating agency guideline in a timely manner. The Fund voluntarily may redeem the Preferred Shares in certain circumstances.

The Preferred Shareholders, voting as a separate class, have the right to elect at least two Directors at all times and to elect a majority of the Directors in the event two years' dividends on the Preferred Shares are unpaid. In each case, the remaining Directors will be elected by the Common Shareholders and Preferred Shareholders voting together as a single class. The Preferred Shareholders will vote as a separate class on certain other matters as required under the Fund's Charter, the Investment Company Act of 1940 and Maryland law.

### NOTE G

#### Risks Involved in Investing in the Fund

Interest Rate Risk and Credit Risk--Interest rate risk is the risk that changes in interest rates will affect the value of the Fund's investments in fixed-income debt securities such as bonds or notes. Increases in interest rates may cause the value of the Fund's investments to decline. Credit risk is the risk that the issuer or guarantor of a debt security, or the counterparty to a derivative contract, will be unable or unwilling to make timely principal and/or interest payments, or to

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ACM MUNICIPAL SECURITIES INCOME FUND o 21

#### Notes to Financial Statements

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otherwise honor its obligations. The degree of risk for a particular security may be reflected in its credit risk rating. Credit risk is greater for medium quality and lower-rated securities. Lower-rated debt securities and similar unrated securities (commonly known as "junk bonds") have speculative elements or are predominantly speculative risks.

Indemnification Risk--In the ordinary course of business, the Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these indemnification provisions and expects the risk of loss thereunder to be remote.

### NOTE H

#### Legal Proceedings

As has been previously reported, the staff of the U.S. Securities and Exchange Commission ("SEC") and the Office of the New York Attorney General ("NYAG") have been investigating practices in the mutual fund industry identified as "market timing" and "late trading" of mutual fund shares. Certain other regulatory authorities have also been conducting investigations into these practices within the industry and have requested that the Adviser provide

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information to them. The Adviser has been cooperating and will continue to cooperate with all of these authorities. The shares of the Fund are not redeemable by the Fund, but are traded on an exchange at prices established by the market. Accordingly, the Fund and its shareholders are not subject to the market timing and late trading practices that are the subject of the investigations mentioned above or the lawsuits described below. Please see below for a description of the agreements reached by the Adviser and the SEC and NYAG in connection with the investigations mentioned above.

Numerous lawsuits have been filed against the Adviser and certain other defendants in which plaintiffs make claims purportedly based on or related to the same practices that are the subject of the SEC and NYAG investigations referred to above. Some of these lawsuits name the Fund as a party. The lawsuits are now pending in the United States District Court for the District of Maryland pursuant to a ruling by the Judicial Panel on Multidistrict Litigation transferring and centralizing all of the mutual funds involving market and late trading in the District of Maryland. Management of the Adviser believes that these private lawsuits are not likely to have a material adverse effect on the results of operations or financial condition of the Fund.

On December 18, 2003, the Adviser confirmed that it had reached terms with the SEC and the NYAG for the resolution of regulatory claims relating to the practice of "market timing" mutual fund shares in some of the AllianceBernstein Mutual Funds. The agreement with the SEC is reflected in an Order of the Commission ("SEC Order"). The agreement with the NYAG is memorialized in

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22 o ACM MUNICIPAL SECURITIES INCOME FUND

### Notes to Financial Statements

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an Assurance of Discontinuance dated September 1, 2004 ("NYAG Order"). Among the key provisions of these agreements are the following:

- (i) The Adviser agreed to establish a \$250 million fund (the "Reimbursement Fund") to compensate mutual fund shareholders for the adverse effects of market timing attributable to market timing relationships described in the SEC Order. According to the SEC Order, the Reimbursement Fund is to be paid, in order of priority, to fund investors based on (i) their aliquot share of losses suffered by the fund due to market timing, and (ii) a proportionate share of advisory fees paid by such fund during the period of such market timing;
- (ii) The Adviser agreed to reduce the advisory fees it receives from some of the AllianceBernstein long-term, open-end retail funds, commencing January 1, 2004, for a period of at least five years; and
- (iii) The Adviser agreed to implement changes to its governance and compliance procedures. Additionally, the SEC Order contemplates that the Adviser's registered investment company clients, including the Fund, will introduce governance and compliance changes.

The shares of the Fund are not redeemable by the Fund, but are traded on an exchange at prices established by the market. Accordingly, the Fund and its shareholders are not subject to the market timing practices described in the SEC Order and are not expected to participate in the Reimbursement Fund. Since the Fund is a closed-end fund, it will not have its advisory fee reduced pursuant to the terms of the agreements mentioned above.



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The Adviser and approximately twelve other investment management firms were publicly mentioned in connection with the settlement by the SEC of charges that an unaffiliated broker/dealer violated federal securities laws relating to its receipt of compensation for selling specific mutual funds and the disclosure of such compensation. The SEC has indicated publicly that, among other things, it is considering enforcement action in connection with mutual funds' disclosure of such arrangements and in connection with the practice of considering mutual fund sales in the direction of brokerage commissions from fund portfolio transactions. The SEC has issued subpoenas to the Adviser in connection with this matter and the Adviser has provided documents and other information to the SEC and is cooperating fully with its investigation.

On June 22, 2004, a purported class action complaint entitled *Aucoin, et al. v. Alliance Capital Management L.P., et al. ("Aucoin Complaint")* was filed against the Adviser, Alliance Capital Management Holding L.P., Alliance Capital Management Corporation, AXA Financial, Inc., AllianceBernstein Investment Research & Management, Inc., certain current and former directors of the

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ACM MUNICIPAL SECURITIES INCOME FUND o 23

### Notes to Financial Statements

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AllianceBernstein Mutual Funds, and unnamed Doe defendants. The Aucoin Complaint names certain of the AllianceBernstein mutual funds as nominal defendants. The Aucoin Complaint was filed in the United States District Court for the Southern District of New York by an alleged shareholder of an AllianceBernstein mutual fund. The Aucoin Complaint alleges, among other things, (i) that certain of the defendants improperly authorized the payment of excessive commissions and other fees from fund assets to broker-dealers in exchange for preferential marketing services, (ii) that certain of the defendants misrepresented and omitted from registration statements and other reports material facts concerning such payments, and (iii) that certain defendants caused such conduct as control persons of other defendants. The Aucoin Complaint asserts claims for violation of Sections 34(b), 36(b) and 48(a) of the Investment Company Act, Sections 206 and 215 of the Advisers Act, breach of common law fiduciary duties, and aiding and abetting breaches of common law fiduciary duties. Plaintiffs seek an unspecified amount of compensatory damages and punitive damages, rescission of their contracts with the Adviser, including recovery of all fees paid to the Adviser pursuant to such contracts, an accounting of all fund-related fees, commissions and soft dollar payments, and restitution of all unlawfully or discriminatorily obtained fees and expenses.

Since June 22, 2004, numerous additional lawsuits making factual allegations substantially similar to those in the Aucoin Complaint were filed against the Adviser and certain other defendants, and others may be filed.

The Adviser believes that these matters are not likely to have a material adverse effect on the Fund or the Adviser's ability to perform advisory services relating to the Fund.

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24 o ACM MUNICIPAL SECURITIES INCOME FUND

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## Financial Highlights

### FINANCIAL HIGHLIGHTS

Selected Data For A Share Of Capital Stock Outstanding Throughout Each Period

	Year Ended October 31,			
	2004 (a)	2003	2002	2001
Net asset value, beginning of period	\$11.05	\$10.85	\$12.10	\$11.71
INCOME FROM INVESTMENT OPERATIONS				
Net investment income	.88	.97	1.08	1.15
Net realized and unrealized gain (loss) on investment transactions	.41	.12	(1.32)	.45
Dividends to preferred shareholders from net investment income (common stock equivalent basis)	(.09)	(.09)	(.14)	(.27)
Net increase (decrease) in net asset value from operations	1.20	1.00	(.38)	1.33
LESS: DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS				
Dividends from net investment income	(.87)	(.80)	(.87)	(.88)
Distributions in excess of net investment income	-0-	-0-	-0-	(.06)
Total dividends and distributions to common shareholders	(.87)	(.80)	(.87)	(.94)
Net asset value, end of period	\$11.38	\$11.05	\$10.85	\$12.10
Market price, end of period	\$12.09	\$11.62	\$11.50	\$12.70
Premium	6.24%	5.16%	5.99%	4.96%
TOTAL RETURN				
Total investment return based on: (b)				
Market price	12.34%	8.53%	(2.44)%	9.14%
Net asset value	11.20%	9.39%	(3.35)%	11.59%
RATIOS/SUPPLEMENTAL DATA				
Net assets, applicable to common shareholders, end of period (000's omitted)	\$126,739	\$122,322	\$119,323	\$132,201
Preferred stock, at redemption value (\$25,000 per share liquidation preference) (000's omitted)	\$90,000	\$90,000	\$90,000	\$90,000
Ratios to average net assets applicable to common shareholders of:				

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Expenses (c)	1.65%	1.71%	1.65%	1.53%
Net investment income, before preferred stock dividends (c)	7.87%	8.78%	9.32%	9.60%
Preferred stock dividends	.79%	.84%	1.19%	2.26%
Net investment income, net of preferred stock dividends	7.08%	7.94%	8.13%	7.34%
Portfolio turnover rate	36%	32%	24%	82%
Asset coverage ratio	241%	236%	233%	247%

See footnote summary on page 26.

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ACM MUNICIPAL SECURITIES INCOME FUND o 25

### Financial Highlights

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(a) As of November 1, 2003, the Fund has adopted the method of accounting for interim payments on swap contracts in accordance with Financial Accounting Standards Board Statement No. 133. These interim payments are reflected within net realized and unrealized gain (loss) on swap contracts, however, prior to November 1, 2003, these interim payments were reflected within interest income/expense on the statement of operations. For the year ended October 31, 2004, the effect of this change to the net investment income and the net realized and unrealized gain (loss) on investment transactions was less than \$0.01 per share and the ratio of net investment income to average net assets was less than .01%.

(b) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of the period.

(c) These expense and net investment income ratios do not reflect the effect of dividend payments to preferred shareholders.

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26 o ACM MUNICIPAL SECURITIES INCOME FUND

### Report of Independent Registered Public Accounting Firm

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REPORT OF INDEPENDENT REGISTERED

# Edgar Filing: ACM MUNICIPAL SECURITIES INCOME FUND INC - Form N-CSR

PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
ACM Municipal Securities Income Fund, Inc.

We have audited the accompanying statement of assets and liabilities of ACM Municipal Securities Income Fund, Inc., (the "Fund") including the portfolio of investments, as of October 31, 2004, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of October 31, 2004, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of ACM Municipal Securities Income Fund, Inc. at October 31, 2004, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

New York, New York  
December 15, 2004

## FEDERAL TAX INFORMATION (unaudited)

In accordance with Federal tax law, the Fund's designation of "exempt-interest dividends" paid during the fiscal year ended October 31, 2004 was \$10,569,502.

As required by Federal tax law rules, shareholders will receive notification of their portion of the Fund's taxable ordinary dividends (if any) and capital gain distributions (if any) paid for the 2004 calendar year on Form 1099-DIV which will be mailed by January 31, 2005.

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ACM MUNICIPAL SECURITIES INCOME FUND o 27

Additional Information

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ADDITIONAL INFORMATION

## Edgar Filing: ACM MUNICIPAL SECURITIES INCOME FUND INC - Form N-CSR

(unaudited)

Shareholders whose shares are registered in their own names will automatically be participants in the Dividend Reinvestment and Cash Purchase Plan (the "Plan"), pursuant to which dividends and capital gain distributions to shareholders will be paid in or reinvested in additional shares of the Fund (the "Dividend Shares"). Equiserve Trust Company N.A. (the "Agent") will act as agent for participants under the Plan. Shareholders whose shares are held in the name of broker or nominee should contact such broker or nominee to determine whether or how they may participate in the Plan.

If the Board declares an income distribution or determines to make a capital gain distribution payable either in shares or in cash, as holders of the Common Stock may have elected, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in shares of Common Stock of the Fund valued as follows:

(i) If the shares of Common Stock are trading at net asset value or at a premium above net asset value at the time of valuation, the Fund will issue new shares at the greater of net asset value or 95% of the then current market price.

(ii) If the shares of Common Stock are trading at a discount from net asset value at the time of valuation, the Plan Agent will receive the dividend or distribution in cash and apply it to the purchase of the Fund's shares of Common Stock in the open market on the New York Stock Exchange or elsewhere, for the participants' accounts. Such purchases will be made on or shortly after the payment date for such dividend or distribution and in no event more than 30 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with Federal securities laws. If, before the Plan agent has completed its purchases, the market price exceeds the net asset value of a share of Common Stock, the average purchase price per share paid by the Plan agent may exceed the net asset value of the Fund's shares of Common Stock, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund.

The Agent will maintain all shareholders' accounts in the Plan and furnish written confirmation of all transactions in the account, including information needed by shareholders for tax records. Shares in the account of each Plan participant will be held by the Agent in non-certificate form in the name of the participant, and each shareholder's proxy will include those shares purchased or received pursuant to the Plan.

There will be no charges with respect to shares issued directly by the Fund to satisfy the dividend reinvestment requirements. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Agent's open market purchases of shares. In each case, the cost per share of shares purchased for each shareholder's account will be the average

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28 o ACM MUNICIPAL SECURITIES INCOME FUND

Additional Information

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cost, including brokerage commissions, of any shares purchased in the open market plus the cost of any shares issued by the Fund.

The automatic reinvestment of dividends and distributions will not relieve

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participants of any income taxes that may be payable (or required to be withheld) on dividends and distributions.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to written notice of the change sent to participants in the Plan at least 90 days before the record date for such dividend or distribution. The Plan may also be amended or terminated by the Agent on at least 90 days' written notice to participants in the Plan. All correspondence concerning the Plan should be directed to the Agent at Equiserve Trust Company N.A., P.O. Box 43011, Providence, RI 02940-3011.

Since the filing of the most recent amendment to the Fund's registration statement with the Securities and Exchange Commission, there have been (i) no material changes in the Fund's investment objectives or policies, (ii) no changes to the Fund's charter or by-laws that would delay or prevent a change of control of the Fund, and (iii) no material changes in the principal risk factors associated with investment in the Fund, and (iv) no change to the persons primarily responsible for the day-to-day management of the Fund's investment port-folio, who are David Dowden and Terrance Hults, each of whom is a Vice President of the Fund.

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ACM MUNICIPAL SECURITIES INCOME FUND o 29

Board of Directors

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### BOARD OF DIRECTORS

William H. Foulk, Jr.(1), Chairman  
Marc O. Mayer, President  
Ruth Block(1)  
David H. Dievler(1)  
John H. Dobkin(1)  
Dr. James M. Hester(1)  
Donald J. Robinson(1)

### OFFICERS

Robert B. Davidson, III, Senior Vice President  
Philip L. Kirstein, Senior Vice President and Independent Compliance Officer  
David M. Dowden(2), Vice President  
Terrance T. Hults(2), Vice President  
Mark R. Manley, Secretary  
Mark D. Gersten, Treasurer and Chief Financial Officer  
Thomas R. Manley, Controller

### Administrator

Alliance Capital Management L.P.  
1345 Avenue of the Americas  
New York, NY 10105

### Sub-Administrator

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Prudential Investments LLC  
Gateway Center Three  
100 Mulberry Street  
Newark, NJ 07102-4077

Common Stock: Dividend Paying Agent, Transfer Agent and Registrar

Equiserve Trust Company N.A.  
P.O. Box 43011  
Providence, RI 02940-3011

Preferred Stock: Dividend Paying Agent, Transfer Agent and Registrar

The Bank of New York  
100 Church Street  
New York, NY 10286

Independent Registered Public Accounting Firm

Ernst & Young LLP  
5 Times Square  
New York, NY 10036-6530

Custodian

The Bank of New York  
One Wall Street  
New York, NY 10286

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase at market prices from time to time shares of its Common Stock in the open market.

This report, including the financial statements therein, is transmitted to the shareholders of ACM Municipal Securities Income Fund for their information. This is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in the report.

- (1) Member of the Audit Committee and the Governance and Nominating Committee.
- (2) Messrs. Dowden and Hults are the persons primarily responsible for the day-to-day management of the Fund's investment portfolio.

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30 o ACM MUNICIPAL SECURITIES INCOME FUND

Management of the Fund

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### MANAGEMENT OF THE FUND

#### Board of Directors Information

The business and affairs of the Fund are managed under the direction of the Board of Directors. Certain information concerning the Fund's Directors is set forth below.

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NAME, ADDRESS, DATE OF BIRTH, (YEAR ELECTED*)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR
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INTERESTED DIRECTOR		
Marc O. Mayer, + 1345 Avenue of the Americas New York, NY 10105 10/2/57 (2003)	Executive Vice President of ACMC since 2001; prior thereto, Chief Executive Officer of Sanford C. Bernstein & Co., LLC and its predecessor since prior to 1999.	68
DISINTERESTED DIRECTORS		
William H. Foulk, Jr., # 2 Sound View Drive Suite 100 Greenwich, CT 06830 9/7/32 (1998) Chairman of the Board	Investment adviser and an independent consultant. He was formerly Senior Manager of Barrett Associates, Inc., a registered investment adviser, with which he had been associated since prior to 1999. He was formerly Deputy Comptroller and Chief Investment Officer of the State of New York and, prior thereto, Chief Investment Officer of the New York Bank for Savings.	116
Ruth Block, #** 500 SE Mizner Blvd., Boca Raton, FL 33432 11/7/30 (1993)	Formerly Executive Vice President and Chief Insurance Officer of The Equitable Life Assurance Society of the United States; Chairman and Chief Executive Officer of Evlico; Director of Avon, BP (oil and gas), Ecolab Incorporated (specialty chemicals), Tandem Financial Group and Donaldson, Lufkin & Jenrette Securities Corporation; former Governor at Large National Associ- ation of Securities Dealers, Inc.	96
David H. Dievler, # P.O. Box 167 Spring Lake, NJ 07762 10/23/29 (1993)	Independent consultant. Until December 1994 he was Senior Vice President of Alliance Capital Management Corporation ("ACMC") responsible for mutual fund admin- istration. Prior to joining ACMC in 1984 he was Chief Financial Officer of Eberstadt Asset Management since 1968. Prior to that he was a Senior Manager at Price Waterhouse & Co. Member of American Institute of Certified Public Accountants since 1953.	100



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ACM MUNICIPAL SECURITIES INCOME FUND o 31

## Management of the Fund

NAME, ADDRESS, DATE OF BIRTH, (YEAR ELECTED*)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR
DISINTERESTED DIRECTORS (continued)		
John H. Dobkin, # P.O. Box 12 Annandale, NY 12504 2/19/42 (1998)	Consultant. Formerly President of Save Venice, Inc. (preservation organization) from 2001-2002, a Senior Advisor from June 1999 -June 2000 and President of Historic Hudson Valley (historic preservation) from December 1989-May 1999. Previously, Director of the National Academy of Design and during 1988-1992, he was Director and Chairman of the Audit Committee of ACMC.	98
Dr. James M. Hester, # 25 Cleveland Lane Princeton, NJ 08540 4/19/24 (1993)	Formerly President of the Harry Frank Guggenheim Foundation, New York University and the New York Botanical Garden. Formerly Rector of the United Nations University and Vice Chairman of the Board of the Federal Reserve Bank of New York.	11
Donald J. Robinson, # 98 Hell's Peak Road Weston, VT 05161 8/24/34 (1996)	Senior Counsel to the law firm of Orrick, Herrington & Sutcliffe LLP since prior to 1999. Formerly a senior partner and a member of the Executive Committee of that firm. Formerly a member and Chairman of the Municipal Securities Rulemaking Board and Trustee of the Museum of the City of New York.	96

\* There is no stated term of office for the Fund's Directors.

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# Member of the Audit Committee and the Governance and Nominating Committee.

\*\* Ms. Block was an "interested person", as defined in the 1940 Act, until October 21, 2004 by reason of her ownership of 116 American Depositary Shares of AXA having a value of approximately \$2,396. AXA is a controlling person of ACMC. Ms. Block received shares of The Equitable Companies Incorporated as part of the demutualization of The Equitable Life Assurance Society of the United States, which were subsequently converted through a corporate action into 116 American Depositary Shares of AXA.

+ Mr. Mayer is an "interested person", as defined in the 1940 Act, due to his position as Executive Vice President of ACMC.

32 o ACM MUNICIPAL SECURITIES INCOME FUND

## Management of the Fund

### Officer Information

Certain information concerning the Fund's Officers is listed below.

NAME, ADDRESS* AND DATE OF BIRTH	POSITION(S) HELD WITH FUND	PRINCIPAL OCCUPATION DURING PAST 5 YEARS
Marc O. Mayer 10/2/57	President	See biography above.
Robert B. Davidson, III 4/8/61	Senior Vice President	Senior Vice President of ACMC which he has been associated prior to 1999.
Philip L. Kirstein 5/29/45	Senior Vice President and Independent Compliance Officer	Senior Vice President, Independent Compliance Officer-Mutual Fund ACMC with which he has been associated since October 2004 thereto, he was Of Counsel to Kirkpatrick & Lockhart, LLP from October 2003 to October 2004, General Counsel and First Vice President of Merrill Lynch Investment Managers, LLP since prior to March 2003.
David M. Dowden 11/21/65	Vice President	Senior Vice President of ACMC which he has been associated prior to 1999.
Terrance T. Hults 5/17/66	Vice President	Senior Vice President of ACMC which he has been associated prior to 1999.

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Mark R. Manley  
10/23/62

Secretary

Senior Vice President, Deputy  
Counsel and Chief Compliance  
of ACMC,\*\* with which he has  
associated since prior to 199

Mark D. Gersten  
10/4/50

Treasurer and Chief  
Financial Officer

Senior Vice President of Alli  
Investor Services, Inc. ("AGI  
Vice President of AllianceBer  
Investment Research and  
Management, Inc. ("ABIRM"),\*\*  
which he has been associated  
prior to 1999.

Thomas R. Manley  
8/3/51

Controller

Vice President of ACMC, \*\* wi  
he has been associated since  
1999.

\* The address for each of the Fund's officers is 1345 Avenue of the Americas,  
New York, NY 10105.

\*\* ACMC, AGIS and ABIRM are affiliates of the Fund.

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ACM MUNICIPAL SECURITIES INCOME FUND o 33

AllianceBernstein Family of Funds

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### ALLIANCEBERNSTEIN FAMILY OF FUNDS

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#### Wealth Strategies Funds

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Balanced Wealth Strategy  
Wealth Appreciation Strategy  
Wealth Preservation Strategy  
Tax-Managed Balanced Wealth Strategy  
Tax-Managed Wealth Appreciation Strategy  
Tax-Managed Wealth Preservation Strategy

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#### Blended Style Funds

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U.S. Large Cap Portfolio  
International Portfolio  
Tax-Managed International Portfolio

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#### Growth Funds

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#### Domestic

Growth Fund  
Mid-Cap Growth Fund  
Large Cap Growth Fund\*

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Small Cap Growth Fund

Global & International

All-Asia Investment Fund

Global Health Care Fund\*

Global Research Growth Fund

Global Technology Fund\*

Greater China '97 Fund

International Premier Growth Fund

New Europe Fund

Worldwide Privatization Fund

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Value Funds  
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Domestic

Balanced Shares

Focused Growth & Income Fund\*

Growth & Income Fund

Real Estate Investment Fund

Small Cap Value Fund\*\*

Utility Income Fund

Value Fund

Global & International

Global Value Fund

International Value Fund

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Taxable Bond Funds  
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Americas Government Income Trust

Corporate Bond Portfolio

Emerging Market Debt Fund

Global Strategic Income Trust

High Yield Fund

Multi-Market Strategy Trust

Quality Bond Portfolio

Short Duration Portfolio

U.S. Government Portfolio

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Municipal Bond Funds  
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National

Insured National

Arizona

California

Insured California

Florida

Massachusetts

Michigan

Minnesota

New Jersey

New York

Ohio

Pennsylvania

Virginia

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### Intermediate Municipal Bond Funds

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Intermediate California  
Intermediate Diversified  
Intermediate New York

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### Closed-End Funds

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All-Market Advantage Fund  
ACM Income Fund  
ACM Government Opportunity Fund  
ACM Managed Dollar Income Fund  
ACM Managed Income Fund  
ACM Municipal Securities Income Fund  
California Municipal Income Fund  
National Municipal Income Fund  
New York Municipal Income Fund  
The Spain Fund  
World Dollar Government Fund  
World Dollar Government Fund II

We also offer Exchange Reserves,\*\* which serves as the money market fund exchange vehicle for the AllianceBernstein mutual funds.

For more complete information on any AllianceBernstein mutual fund, including investment objectives and policies, sales charges, expenses, risks and other matters of importance to prospective investors, visit our web site at [www.alliancebernstein.com](http://www.alliancebernstein.com) or call us at (800) 227-4618 for a current prospectus. You should read the prospectus carefully before you invest.

\* Prior to December 15, 2004, these Funds were named as follows: Global Health Care Fund was Health Care Fund; Large Cap Growth Fund was Premier Growth Fund; Global Technology Fund was Technology Fund; and Focused Growth & Income Fund was Disciplined Value Fund.

\*\* Effective February 1, 2005, Small Cap Value Fund will be renamed Small/Mid-Cap Value Fund.

\*\*\* An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

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34 o ACM MUNICIPAL SECURITIES INCOME FUND

### Summary of General Information

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#### SUMMARY OF GENERAL INFORMATION

##### Shareholder Information

Daily market prices for the Fund's shares are published in the New York Stock Exchange Composite Transaction section of The Wall Street Journal under the abbreviation "ACM MuniSec." The Fund's NYSE trading symbol is "AMU." Weekly

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comparative net asset value (NAV) and market price information about the Fund is published each Monday in The Wall Street Journal, each Sunday in The New York Times and each Saturday in Barron's and other newspapers in a table called "Closed-End Bond Funds."

### Dividend Reinvestment Plan

A Dividend Reinvestment Plan provides automatic reinvestment of dividends and capital gains in additional Fund shares.

For questions concerning shareholder account information, or if you would like a brochure describing the Dividend Reinvestment Plan, please call Equiserve Trust Company at (800) 219-4218.

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ACM MUNICIPAL SECURITIES INCOME FUND o 35

### NOTES

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36 o ACM MUNICIPAL SECURITIES INCOME FUND

ACM MUNICIPAL SECURITIES INCOME FUND  
1345 Avenue of the Americas  
New York, NY 10105  
(800) 221-5672

AllianceBernstein [LOGO] (SM)  
Investment Research and Management

(SM) This service mark used under license from the owner, Alliance Capital Management L.P.

MSIAR1004

### ITEM 2. CODE OF ETHICS.

(a) The registrant has adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer. A copy of the registrant's code of ethics is filed herewith as Exhibit 11(a)(1).

(b) During the period covered by this report, no material amendments were made to the provisions of the code of ethics adopted in 2(a) above.

(c) During the period covered by this report, no implicit or explicit waivers to the provisions of the code of ethics adopted in 2(a) above were granted.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

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The registrant's Board of Directors has determined that independent directors David H. Dievler and William H. Foulk, Jr. qualify as audit committee financial experts.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) - (c) The following table sets forth the aggregate fees billed by the independent auditor Ernst & Young LLP, for the Fund's last two fiscal years for professional services rendered for: (i) the audit of the Fund's annual financial statements included in the Fund's annual report to stockholders; (ii) assurance and related services that are reasonably related to the performance of the audit of the Fund's financial statements and are not reported under (i), which include advice and education on accounting and auditing issues and quarterly press release review, and preferred stock maintenance testing (for those Funds that issue preferred stock); and (iii) tax compliance, tax advice and tax return preparation.

		Audit Fees	Audit-Related Fees	Tax Fees
ACM Municipal Securities Income Fund, Inc.	2003	\$44,000	\$23,144	\$1,000
	2004	\$47,000	\$13,145	\$2,000

(d) Not applicable.

(e) (1) Beginning with audit and non-audit service contracts entered into on or after May 6, 2003, the Fund's Audit Committee policies and procedures require the pre-approval of all audit and non-audit services provided to the Fund by the Fund's independent auditors. The Fund's Audit Committee policies and procedures also require pre-approval of all audit and non-audit services provided to the Adviser and Service Affiliates to the extent that these services are directly related to the operations or financial reporting of the Fund.

(e) (2) All of the amounts for Audit Fees, Audit-Related Fees and Tax Fees in the table under Item 4 (a) - (c) are for services pre-approved by the Fund's Audit Committee.

(f) Not applicable.

(g) The following table sets forth the aggregate non-audit services provided to the Fund, the Fund's Adviser and entities that control, are controlled by or under common control with the Adviser that provide ongoing services to the Fund, which include conducting an annual internal control report pursuant to Statement on Auditing Standards No. 70 ("Service Affiliates"):

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All Fees for  
Non-Audit Services  
Provided to the  
Portfolio, the Adviser  
and Service Affiliates

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(Porti  
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(Porti

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ACM Municipal Securities Income Fund, Inc.	2003	\$728,443
	2004	\$1,136,090

(h) The Audit Committee of the Fund has considered whether the provision of any non-audit services not pre-approved by the Audit Committee provided by the Fund's independent auditor to the Adviser and Service Affiliates is compatible with maintaining the auditor's independence.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The audit committee members are as follows:

Ruth Block	William H. Foulk, Jr.
David H. Dievler	Dr. James M. Hester
John H. Dobkin	Donald J. Robinson

### ITEM 6. SCHEDULE OF INVESTMENTS.

Please see Schedule of Investments contained in the Report to Shareholders included under Item 1 of this Form N-CSR.

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The registrant has adopted the following proxy voting policies and procedures of its investment adviser, Alliance Capital Management L.P.

October 2004

ALLIANCE CAPITAL MANAGEMENT L.P.

Statement of Policies and Procedures for Proxy Voting

#### Introduction

As a registered investment adviser, Alliance Capital Management L.P. ("Alliance Capital", "we" or "us") has a fiduciary duty to act solely in the best interests of our clients. We recognize that this duty requires us to vote client securities in a timely manner and make voting decisions that are in the best interests of our clients. Consistent with these obligations, we will disclose our clients' voting records only to them and as required by mutual fund vote disclosure regulations. In addition, the proxy committees may, after careful consideration, choose to respond to surveys regarding past votes.

This statement is intended to comply with Rule 206(4)-6 of the Investment Advisers Act of 1940. It sets forth our policies and procedures for voting proxies for our discretionary investment advisory clients, including investment companies registered under the Investment Company Act of 1940. This statement applies to Alliance Capital's growth and value investment groups investing on



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behalf of clients in both US and non-US securities.

### Proxy Policies

This statement is designed to be responsive to the wide range of proxy voting subjects that can have a significant effect on the investment value of the securities held in our clients' accounts. These policies are not exhaustive due to the variety of proxy voting issues that we may be required to consider. Alliance Capital reserves the right to depart from these guidelines in order to avoid voting decisions that we believe may be contrary to our clients' best interests. In reviewing proxy issues, we will apply the following general policies:

**Corporate Governance:** Alliance Capital's proxy voting policies recognize the importance of good corporate governance in ensuring that management and the board of directors fulfill their obligations to the shareholders. We favor proposals promoting transparency and accountability within a company. We will vote for proposals providing for equal access to the proxy materials so that shareholders can express their views on various proxy issues. We also support the appointment of a majority of independent directors on key committees and separating the positions of chairman and chief executive officer.

**Elections of Directors:** Unless there is a proxy fight for seats on the Board or we determine that there are other compelling reasons for withholding votes for directors, we will vote in favor of the management proposed slate of directors. That said, we believe that directors have a duty to respond to shareholder actions that have received significant shareholder support. We may withhold votes for directors that fail to act on key issues such as failure to implement proposals to declassify boards, failure to implement a majority vote requirement, failure to submit a rights plan to a shareholder vote or failure to act on tender offers where a majority of shareholders have tendered their shares. In addition, we will withhold votes for directors who fail to attend at least seventy-five percent of board meetings within a given year without a reasonable excuse. Finally, we may withhold votes for directors of non-U.S. issuers where there is insufficient information about the nominees disclosed in the proxy statement.

**Appointment of Auditors:** Alliance Capital believes that the company remains in the best position to choose the auditors and will generally support management's recommendation. However, we recognize that there may be inherent conflicts when a company's independent auditor performs substantial nonaudit related services for the company. While we will recognize that there may be special circumstances that could lead to high non-audit fees in some years, we would normally consider non-audit fees in excess of 70% to be disproportionate. Therefore, we may vote against the appointment of auditors if the fees for non-audit related services exceed 70% of the total audit fees paid by the company or there are other reasons to question the independence of the company's auditors.

**Changes in Legal and Capital Structure:** Changes in a company's charter, articles of incorporation or by-laws are often technical and administrative in nature. Absent a compelling reason to the contrary, Alliance Capital will cast its votes in accordance with the company's management on such proposals. However, we will review and analyze on a case-by-case basis any non-routine proposals that are likely to affect the structure and operation of the company or have a material economic effect on the company. For example, we will generally support proposals to increase authorized common stock when it is necessary to implement a stock split, aid in a restructuring or acquisition or provide a sufficient number of shares for an employee savings plan, stock option or executive compensation plan. However, a satisfactory explanation of a company's intentions must be disclosed in the proxy statement for proposals requesting an increase of greater than one hundred percent of the shares

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outstanding. We will oppose increases in authorized common stock where there is evidence that the shares will be used to implement a poison pill or another form of anti-takeover device, or if the issuance of new shares could excessively dilute the value of the outstanding shares upon issuance.

**Corporate Restructurings, Mergers and Acquisitions:** Alliance Capital believes proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, we will analyze such proposals on a case-by-case basis, weighing heavily the views of the research analysts that cover the company and the investment professionals managing the portfolios in which the stock is held.

**Proposals Affecting Shareholder Rights:** Alliance Capital believes that certain fundamental rights of shareholders must be protected. We will generally vote in favor of proposals that give shareholders a greater voice in the affairs of the company and oppose any measure that seeks to limit those rights. However, when analyzing such proposals we will weigh the financial impact of the proposal against the impairment of shareholder rights.

**Anti-Takeover Measures:** Alliance Capital believes that measures that impede takeovers or entrench management not only infringe on the rights of shareholders but may also have a detrimental effect on the value of the company. We will generally oppose proposals, regardless of whether they are advanced by management or shareholders, the purpose or effect of which is to entrench management or dilute shareholder ownership. Conversely, we support proposals that would restrict or otherwise eliminate antitakeover measures that have already been adopted by corporate issuers. For example, we will support shareholder proposals that seek to require the company to submit a shareholder rights plan to a shareholder vote. We will evaluate, on a case-by-case basis, proposals to completely redeem or eliminate such plans. Furthermore, we will generally oppose proposals put forward by management (including blank check preferred stock, classified boards and supermajority vote requirements) that appear to be intended as management entrenchment mechanisms.

**Executive Compensation:** Alliance Capital believes that company management and the compensation committee of the board of directors should, within reason, be given latitude to determine the types and mix of compensation and benefit awards offered. Whether proposed by a shareholder or management, we will review proposals relating to executive compensation plans on a case-by-case basis to ensure that the long-term interests of management and shareholders are properly aligned. We will analyze the proposed plans to ensure that shareholder equity will not be excessively diluted, the option exercise price is not below market price on the date of grant and an acceptable number of employees are eligible to participate in such programs. We will generally oppose plans that permit repricing of underwater stock options without shareholder approval. Other factors such as the company's performance and industry practice will generally be factored into our analysis. We will support proposals to submit severance packages that do not exceed 2.99 times the sum of an executive officer's base salary plus bonus that are triggered by a change in control to a shareholder vote. Finally, we will support shareholder proposals requiring companies to expense stock options because we view them as a large corporate expense.

**Social and Corporate Responsibility:** Alliance Capital will review and analyze on a case-by-case basis proposals relating to social, political and environmental issues to determine whether they will have a financial impact on shareholder value. We will vote against proposals that are unduly burdensome or result in unnecessary and excessive costs to the company. We may abstain from voting on social proposals that do not have a readily determinable financial impact on shareholder value.

**Proxy Voting Procedures**

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### Proxy Voting Committees

Our growth and value investment groups have formed separate proxy voting committees to establish general proxy policies for Alliance Capital and consider specific proxy voting matters as necessary. These committees periodically review these policies and new types of corporate governance issues, and decide how we should vote on proposals not covered by these policies. When a proxy vote cannot be clearly decided by an application of our stated policy, the proxy committee will evaluate the proposal. In addition, the committees, in conjunction with the analyst that covers the company, may contact corporate management and interested shareholder groups and others as necessary to discuss proxy issues. Members of the committee include senior investment personnel and representatives of the Legal and Compliance Department. The committees may also evaluate proxies where we face a potential conflict of interest (as discussed below). Finally, the committees monitor adherence to these policies.

### Conflicts of Interest

Alliance Capital recognizes that there may be a potential conflict of interest when we vote a proxy solicited by an issuer whose retirement plan we manage, or we administer, who distributes Alliance Capital sponsored mutual funds, or with whom we or an employee has another business or personal relationship that may affect how we vote on the issuer's proxy. Similarly, Alliance may have a potential material conflict of interest when deciding how to vote on a proposal sponsored or supported by a shareholder group that is a client. We believe that centralized management of proxy voting, oversight by the proxy voting committees and adherence to these policies ensures that proxies are voted with only our clients' best interests in mind. That said, we have implemented additional procedures to ensure that our votes are not the product of a material conflict of interests, including: (i) on an annual basis, the proxy committees will take reasonable steps to evaluate the nature of Alliance Capital's and our employees' material business and personal relationships (and those of our affiliates) with any company whose equity securities are held in client accounts and any client that has sponsored or has material interest in a proposal upon which we will be eligible to vote; (ii) requiring anyone involved in the decision making process to disclose to the chairman of the appropriate proxy committee any potential conflict that they are aware of (including personal relationships) and any contact that they have had with any interested party regarding a proxy vote; (iii) prohibiting employees involved in the decision making process or vote administration from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties; and (iv) where a material conflict of interests exists, reviewing our proposed vote by applying a series of objective tests and, where necessary, considering the views of a third party research service to ensure that our voting decision is consistent with our clients' best interests. Because under certain circumstances Alliance Capital considers the recommendation of third party research services, the proxy committees will take reasonable steps to verify that any third party research service is in fact independent based on all of the relevant facts and circumstances. This includes reviewing the third party research service's conflict management procedures and ascertaining, among other things, whether the third party research service (i) has the capacity and competency to adequately analyze proxy issues; and (ii) can make such recommendations in an impartial manner and in the best interests of our clients.

### Proxies of Certain Non-US Issuers

Proxy voting in certain countries requires "share blocking." Shareholders wishing to vote their proxies must deposit their shares shortly before the date of the meeting (usually one-week) with a designated depository. During this blocking period, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the clients'

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custodian banks. Alliance Capital may determine that the benefit to the client of exercising the vote does not outweigh the cost of voting, which is not being able to transact in the shares during this period. Accordingly, if share blocking is required we may abstain from voting those shares.

In addition, voting proxies of issuers in non-US markets may give rise to a number of administrative issues that may prevent Alliance Capital from voting such proxies. For example, Alliance Capital may receive meeting notices without enough time to fully consider the proxy or after the cut-off date for voting. Other markets require Alliance Capital to provide local agents with power of attorney prior to implementing Alliance Capital's voting instructions. Although it is Alliance Capital's policy to seek to vote all proxies for securities held in client accounts for which we have proxy voting authority, in the case of non-US issuers, we vote proxies on a best efforts basis.

### Proxy Voting Records

Clients may obtain information about how we voted proxies on their behalf by contacting their Alliance Capital administrative representative. Alternatively, clients may make a written request for proxy voting information to: Mark R. Manley, Senior Vice President & Chief Compliance Officer, Alliance Capital Management L.P., 1345 Avenue of the Americas, New York, NY 10105.

### ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

There have been no purchases of equity securities by the Fund or by affiliated parties for the reporting period.

### ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund's Board of Directors since the Fund last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A in its proxy statement filed with the Commission on February 23, 2004.

### ITEM 10. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-2(c) under the Investment Company Act of 1940, as amended) are effective at the reasonable assurance level based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in the registrant's internal controls that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

### ITEM 11. EXHIBITS.

The following exhibits are attached to this Form N-CSR:

Exhibit No.	DESCRIPTION OF EXHIBIT
11 (a) (1)	Code of ethics that is subject to the disclosure of Item 2 hereof

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- 11 (b) (1) Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 11 (b) (2) Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 11 (c) Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): ACM Municipal Securities Income Fund, Inc.

By: /s/ Marc O. Mayer  
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Marc O. Mayer  
President

Date: December 31, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Marc O. Mayer  
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Marc O. Mayer  
President

Date: December 31, 2004

By: /s/ Mark D. Gersten  
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Mark D. Gersten  
Treasurer and Chief Financial Officer

Date: December 31, 2004