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Affected Rules
[Rule G-3](#), [Rule G-27](#)

MSRB Extends Regulatory Relief Under Rule G-27 and Files Amendments to Remove Expired Professional Qualifications Relief

Overview

The Municipal Securities Rulemaking Board (MSRB) filed a proposed rule change with the U.S. Securities and Exchange Commission (“SEC” or “Commission”)¹ to further extend regulatory relief on a temporary basis to brokers, dealers and municipal securities dealers (collectively and individually, “dealers”). The regulatory relief, provided under MSRB Rule G-27, on supervision, is designed to provide dealers additional time to comply with certain supervisory obligations while dealers more fully implement their long-term hybrid work arrangements reflective of the evolving operational and business models resulting from the sustained coronavirus disease (“COVID-19” or “pandemic”).²

The MSRB understands that a large number of firms have adopted a hybrid work environment in which particular business functions will continue to be de-centralized. Given that dealers are still devising plans and spending time to implement hybrid work environments, the MSRB believes the additional time of a six-month extension to conduct office inspections remotely, due to be completed in calendar year 2023, would allow dealers time to focus on the integration of their hybrid work

¹ SR-MSRB-2022-08.

² The MSRB previously provided temporary regulatory relief to regulated entities for calendar years 2020, 2021 and 2022. See Release No. 34- 88694 (April 20, 2020), 85 FR 23088 (April 24, 2020) (File No. SR-MSRB-2020-01); Release No. 34-90621 (December 9, 2020), 85 FR 81254 (December 15, 2020) (File No. SR-MSRB-2020-09); Release No. 34-93435 (October 27, 2021), 86 FR 60522 (November 2, 2022) (File No. SR-MSRB-2021-06); and Release No. 34-94383 (March 9, 2022), 87 FR 14596 (March 15, 2022) (File No. SR-MSRB-2022-01).



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environments.³ The proposed rule change was filed for immediate effectiveness on November 16, 2022, and becomes operative on January 1, 2023.

The temporary relief provided by the MSRB is outlined below and does not extend beyond the identified rule and requirements. However, the MSRB will continue its efforts to monitor the operational challenges of regulated entities. If the MSRB determines to further extend such regulatory relief beyond June 30, 2023, the MSRB would expect to announce such a determination in a separate regulatory notice before the expiration of the relief described in this notice.⁴

The MSRB also filed a separate proposed rule change with the SEC to amend Rule G-3, on professional qualifications requirements, to delete references to certain expired temporary regulatory relief implemented during the height of COVID-19.⁵

Summary of the Temporary Relief Related to Remote Office Inspections

The proposed rule change amends Supplementary Material .01, Temporary Relief for Completing Office Inspections, of MSRB Rule G-27, to extend the current regulatory relief provided to dealers for an additional six months – from December 31, 2022, to June 30, 2023. Specifically, dealers have the option to continue to conduct inspections of municipal offices of supervisory jurisdiction, branch offices or non-branch locations remotely, without the need to conduct an on-site visit to such offices or locations, for such inspections for calendar year 2023 if the inspections are conducted by June

³ As consistent with Rule G-27(g)(ii)(A)(7), a temporary location established in response to the implementation of a business continuity plan is not deemed a municipal branch office for purposes of complying with the office inspection obligations under MSRB Rule G-27. See Exchange Act Release No. 88694 (April 20, 2020), 85 FR 23088 (April 24, 2020) (File No. SR-MSRB-2020-01).

⁴ The MSRB is aware that the Financial Industry Regulatory Authority (FINRA) submitted a filing with the SEC proposing a remote inspection pilot program. See Exchange Act Release No. 95452 (August 9, 2022), 87 FR 50144 (August 15, 2022) (File No. SR-FINRA-2022-021). Additionally, FINRA recently extended its temporary remote office inspection relief through the earlier of the end of calendar year 2023 or the implementation of its pilot program. See Exchange Act Release No. 96241 (November 4, 2022) (File No. SR-FINRA-2022-030). The MSRB is working closely with FINRA on these related matters and strives to stay aligned with FINRA in this area, where appropriate, and will continue to monitor the status of FINRA's pending filing with the SEC.

⁵ SR-MSRB-2022-09.

30, 2023. Dealers may continue to elect to satisfy their office inspection obligations by conducting the applicable inspections remotely within this timeframe, so long as such dealers:

- i. Amend or supplement their written supervisory procedures as appropriate to provide for remote inspections that are reasonably designed to assist in detecting and preventing violations of, and achieving compliance with, applicable securities laws and regulations, and with applicable MSRB rules;
- ii. Use remote office inspections as part of an effective supervisory system, which would include the ongoing review of activities and functions occurring at all offices and locations whether or not the dealer conducts inspections remotely; and
- iii. Make and maintain the required records for all offices or locations that had inspections that were conducted remotely; and any offices or locations for which the dealer determined to impose additional supervisory procedures or more frequent monitoring.

Dealers that conduct calendar year 2023 inspections after June 30, 2023, will not be able to avail themselves of the remote inspection relief described in this notice, unless, as previously mentioned, the MSRB further extends such regulatory relief.

The MSRB believes that extending the current regulatory relief and affording dealers the option to conduct office inspections remotely for the first half of calendar year 2023, until June 30, 2023, is a prudent regulatory approach while continuing to serve the important investor protection objectives of the inspection requirements under these unique circumstances.⁶

Summary of the Amendments to Rule G-3 to Delete References to Certain Expired and Expiring Relief Related to COVID-19

The Rule G-3 proposed rule change deletes Supplementary Material .10 through .16, all of which pertain to temporary relief implemented during the

⁶ Dealers should consider whether, under their particular operating conditions, reliance on remote inspections would be reasonable under the circumstances. For example, firms with offices that are open to the public or that are otherwise doing business as usual should consider whether some form of in-person inspections would be feasible and appropriately contribute to a supervisory system that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable MSRB rules.

height of the COVID-19 pandemic related to certain professional qualifications obligations. By their terms, the relief described in Supplementary Material .13, .15, and .16 have already expired.⁷ Additionally, the relief described in Supplementary Material .10, .11, .12 and .14 expired on August 29, 2022.⁸ The amendments deleting Supplementary Material .10 through .16 would become operational on December 27, 2022.⁹

Questions about this notice may be directed to Bri Joiner, Director, Regulatory Compliance, Lisa Wilhelmy, Associate Director, Market Regulation and Justin Kramer, Assistant Director, Market Regulation at 202-838-1500.

November 16, 2022

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Text of Proposed Amendments*

Rule G-27: Supervision

(a) – (g) No Change.

Supplementary Material

.01 Temporary Relief to Allow Remote Inspections for Calendar Year 2020; Calendar Year 2021; and Calendar Year 2022; and Through June 30 of Calendar Year 2023.

(a) Each dealer obligated to complete an inspection of an office of municipal supervisory jurisdiction, branch office or non-branch location in calendar years 2020, 2021, ~~and 2022~~ and 2023 pursuant to, as applicable, subsection (d)(i)(A), (B) and (C) of this rule, subject to the requirements of this Supplementary Material .01, may satisfy such obligation by conducting the applicable inspection(s) remotely without an on-site visit to such office(s) or location(s). In accordance with this Supplementary Material .01, the applicable inspection(s) for calendar year 2020 must be completed on or before March 31, 2021;

⁷ Supplementary Material .13 expired on November 30, 2021 while Supplementary Material .15 and .16 expired on March 31, 2021.

⁸ See [MSRB Notice 2022-05](#), "MSRB to End Regulatory Relief that Extended Certain Professional Qualification Requirements Due to COVID-19."

⁹ Given the proposed rule change only included technical amendments to remove expired rule provisions, the text of MSRB Rule G-3 does not appear below.

* Underlining indicates new language; strikethrough denotes deletions.

inspections for calendar year 2021 must be completed on or before December 31, 2021; and inspections for calendar year 2022, must be completed on or before December 31, 2022. With respect to a dealer's obligation to conduct an inspection of an office or location in calendar year 2023, a dealer has the option to conduct those inspections remotely only through June 30, 2023, and such inspections must be conducted in accordance with subsection (d)(i)(A), (B) and (C) of this rule. Consistent with subsection (g)(ii)(A)(7) of this rule, a temporary location established in response to the implementation of a business continuity plan is not deemed an office for purposes of complying with inspection obligations.

(b) No Change.

(c) No Change.

(d) **Documentation Requirement.** In addition to the documentation requirements under subsection (d)(ii) of this rule, a dealer that elects to conduct its inspections remotely, shall make and maintain a centralized record for each of calendar years 2020, 2021, ~~and 2022,~~ and for calendar year 2023 through June 30, 2023 only that separately identifies: (1) all offices or locations that had inspections that were conducted remotely; and (2) any offices or locations for which the dealer determined to impose additional supervisory procedures or more frequent monitoring, as provided for under paragraph (c) of this Supplementary Material .01. A dealer's documentation of the results of a remote inspection for an office or location must identify any additional supervisory procedures or more frequent monitoring for that office or location that were imposed as a result of the remote inspection.

Supplementary Material .02 - .03 No Change.