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**Stakeholders**

Municipal Securities  
Dealers

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Informational Notice

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July 1, 2023

**Category**

Administration

**Affected Rules**

[Rule G-27](#), [Rule G-16](#)

## MSRB Provides Additional Regulatory Relief by Further Extending the Temporary Timeframe for Remote Office Inspections and Files Amendments to Remove Expired Relief Under Rule G-16

### Overview

The Municipal Securities Rulemaking Board (MSRB) filed a proposed rule change with the U.S. Securities and Exchange Commission (“SEC” or “Commission”)<sup>1</sup> 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 the necessary time for dealers to continue to assess the current and future state of work and evolve their current supervisory practices to better support an integrated hybrid work environment post the coronavirus disease (“COVID-19” or “pandemic”).<sup>2</sup>

The MSRB understands that a large number of firms have implemented a hybrid work environment in which particular business functions continue to be de-centralized. The MSRB believes that an additional twelve-month

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<sup>1</sup> File No. [SR-MSRB-2023-04](#)

<sup>2</sup> The MSRB previously provided temporary regulatory relief to regulated entities for calendar years 2020, 2021, 2022, and calendar year 2023 through June 30, 2023. See Exchange Act Release No. 88694 (April 20, 2020), 85 FR 23088 (April 24, 2020) (File No. SR-MSRB-2020-01); Exchange Act Release No. 90621 (December 9, 2020), 85 FR 81254 (December 15, 2020) (File No. SR-MSRB-2020-09); Exchange Act Release No. 93435 (October 27, 2021), 86 FR 60522 (November 2, 2021) (File No. SR-MSRB-2021-06); Exchange Act Release No. 94383 (March 9, 2022), 87 FR 14596 (March 15, 2022) (File No. SR-MSRB-2022-01); and Exchange Act Release No. 96346 (November 17, 2022), 87 FR 71719 (November 23, 2022) (File No. SR-MSRB-2022-08).



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extension allowing dealers to conduct office inspections remotely through calendar year 2023 as well as the first half of calendar year 2024 (June 30, 2024), would provide dealers with the necessary time to continue to assess the current and future state of work and evolve their current supervisory practices to better support an integrated hybrid work environment.<sup>3</sup> The temporary relief provided by the MSRB is outlined below and does not extend beyond the identified rule and requirements.

The proposed rule change also made a technical amendment to MSRB Rule G-16, on periodic compliance examination, removing an outdated reference to relief provided by the MSRB during the pandemic.

The proposed rule change was filed for immediate effectiveness on April 27, 2023, and becomes operative on July 1, 2023.

## 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 twelve months – from June 30, 2023, to June 30, 2024. 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 to be conducted for the remainder of calendar year 2023, as well as for inspections to be conducted for calendar year 2024 through June 30, 2024.

Pursuant to paragraphs (b)-(d) of Supplementary Material .01 of MSRB Rule G-27, as currently effective, 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

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<sup>3</sup> 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).

- 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 during the specified calendar years; and any offices or locations for which the dealer determined to impose additional supervisory procedures or more frequent monitoring.

Dealers that conduct calendar year 2024 inspections after June 30, 2024, will not be able to avail themselves of the remote inspection relief described in this notice.

The MSRB believes that extending the current regulatory relief and affording dealers the option to conduct office inspections remotely for the remainder of calendar year 2023 and the first half of calendar year 2024, through June 30, 2024, is a prudent regulatory approach and will allow dealers time to continue to adapt their supervisory practices to long-term hybrid work arrangements while continuing to serve the important investor protection objectives of the inspection obligations.<sup>4</sup>

## Summary of Amendments to Rule G-16 to Delete References to Certain Expired Relief Related to COVID-19

The proposed rule change also deletes Supplementary Material .01, Temporary Relief for Completing Periodic Compliance Examinations, of MSRB Rule G-16, on periodic compliance examination, that provided temporary relief for initiating periodic examinations of dealers by registered securities associations and appropriate regulatory agencies.<sup>5</sup> Supplementary Material .01 provides that any examination initiated between January 1, 2020 and

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<sup>4</sup> 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.

<sup>5</sup> See Exchange Act Release No. 90621 (December 9, 2020), 85 FR 81254 (December 15, 2020) (File No. SR-MSRB-2020-09).

March 31, 2021 is deemed to have occurred in calendar year 2020. As that time period has since passed and Supplementary Material .01 is no longer valid, the proposed rule change deletes the Supplementary Material in order to streamline the rule. The amendments deleting Supplementary Material .01 of MSRB Rule G-16 would become effective on July 1, 2023.<sup>6</sup>

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

April 27, 2023

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## Text of 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; Calendar Year 2022; ~~and Through June 30 of Calendar Year 2023;~~ and Through June 30 of Calendar Year 2024.**

(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, 2022, ~~and 2023,~~ and 2024 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; 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; and inspections for calendar year 2023 must be completed on or before December 31, 2023. With respect to a dealer's obligation to conduct an inspection of an office or location in calendar year ~~2023~~ 2024, a dealer has the option to conduct those inspections remotely only through June 30, ~~2023~~ 2024, and such inspections must be conducted in accordance with subsection (d)(i)(A), (B), and (C) of this rule. Consistent with subsection

<sup>6</sup> Given the proposed rule change only included technical amendments to remove expired rule provisions, the text of MSRB Rule G-16 does not appear below.

\* Underlining indicates new language; strikethrough denotes deletions.

(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, 2022, 2023 and for calendar year ~~2023~~ 2024 through June 30, ~~2023~~ 2024 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.