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[Rule G-27](#)

MSRB Notice

Request for Comment on MSRB Rule G-27 on Dealer Supervision

Overview

The Municipal Securities Rulemaking Board (“MSRB”) seeks comment on draft amendments to MSRB Rule G-27, on dealer supervision, as part of the MSRB’s ongoing retrospective rule review of supervisory obligations under the rule in light of the evolution of the municipal securities marketplace and in workplace practices at brokers, dealers and municipal securities dealers (“dealers”) since the rule was last substantially reviewed and revised. The draft amendments would seek to add clarity to the term “structuring of public offerings or private placements,” as such term is used within the definition of “office of municipal supervisory jurisdiction,” and to increase the 30-business day exclusion from the municipal branch office registration for locations other than a primary residence (the “Draft Amendments”). This request for comment is the first step intended to address requests from market participants for greater flexibility in the manner in which dealers engage in what is colloquially referred to as public finance activities.

The MSRB also seeks comments more broadly on additional areas of Rule G-27 that should be included in the MSRB’s retrospective rule review and on any relevant factors or other information that the MSRB should consider to better focus its review on the aspects of the rule that would be most relevant to how dealers engage in business today and into the future. In particular, the MSRB is interested in receiving input on potential changes to or guidance with respect to Rule G-27 that would provide flexibility to dealers to implement effective supervisory structures and controls that best suit their manner of engaging in business without unduly restricting the types of physical, operational and technological parameters within which dealers must organize and conduct their business. In conjunction with such input for potential changes, the MSRB seeks suggestions for practical approaches available to dealers to effectively implement and enforce a supervisory system that allows firms to remain nimble in the face of competitive market forces and evolving products, practices and technologies. At the same time, any changes to Rule G-27 must continue to ensure the protections afforded to customers and other market participants by a reasonably designed supervisory system and compliance policies and



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procedures that are effectively implemented, enforced and updated to maintain pace with marketplace changes, business practices, types of activities engaged in and products offered by the dealer, and applicable legal and regulatory obligations as they evolve.

The MSRB invites market participants and the public to submit comments in response to this request, along with any other information that they believe would be useful to the MSRB. Comments should be submitted no later than March 16, 2026 and may be submitted by clicking [here](#) or in paper form. Comments submitted in paper form should be sent to Ronald W. Smith, Corporate Secretary, MSRB, 1300 I Street, NW, Washington, DC 20005. All comments will be made available for public inspection on the MSRB's website.¹ Market participants are encouraged to reach out to the MSRB at 202-838-1500 with any inquiries that may aid in understanding the Draft Amendments before submitting a comment letter.

History of Broker-Dealer Supervisory Framework

Rule G-27 sets forth the obligation for each dealer to supervise the municipal securities activities of the dealer and its associated persons to ensure compliance with applicable securities laws and regulations, and with applicable MSRB rules. Rule G-27 was last substantively amended in 2007 ("2007 amendments")² to harmonize the MSRB's dealer supervision rule with the supervisory obligations that the Financial Industry Regulatory Authority ("FINRA") (previously known as the National Association of Securities Dealers ("NASD")) had earlier established for its dealer member firms³ to ensure a coordinated regulatory approach in the area of dealer supervision.⁴ By and large, the 2007 amendments that set forth general and specific supervisory requirements were meant to strengthen the supervisory controls of dealers since adequate supervisory systems play an important role in assuring investor and issuer protection and the integrity of the municipal securities market.

¹ Comments are generally posted on the MSRB's website without change. Personal identifying information such as name, address, telephone number or email address will not be edited from submissions. Therefore, commenters should submit only information that they wish to make available publicly.

² See Securities Exchange Act of 1934 ("Exchange Act") Release No. 55792 (May 22, 2007), 72 FR 29564 (May 29, 2007) (SR-MSRB-2006-10). See also MSRB Notice 2007-32, Guidance on Implementation of New Supervisory Requirements Under Rule G-27, Technical Amendments Filed (November 8, 2007).

³ See Exchange Act Release No. 46859 (November 20, 2002), 67 FR 70990 (November 27, 2002) (SR-NASD-2002-162). Except where otherwise required for clarity or accuracy, the current name FINRA is used in this request for comment to include reference to its activities when previously known as the NASD.

⁴ In connection with the 2007 amendments, the MSRB stated that it "intends generally that the provisions of Rule G-27 be read consistently with the analogous NASD provisions, unless the MSRB specifically indicates otherwise." See *supra* note 2.

During the early days of the adoption of dealer supervision requirements, it was articulated by FINRA that operational and sales practice abuses could stem from ineffective supervisory control procedures, which was the impetus to the adoption of robust supervisory obligations.⁵ FINRA also articulated that it believed “that certain customer activities, such as the transmittal of customer funds or changes in customer address or investment objectives, require additional monitoring to help prevent fraud and theft of customer funds.”⁶ As part of its slate of changes to FINRA’s supervision rules, FINRA proposed in 2003 to amend the branch office definition to facilitate the creation of a branch office registration system⁷ that would be used as the single method for registration of branch office locations. In accordance with state securities regulators’ requirements as well as those of self-regulatory organizations, broker-dealers are required to register such locations. At the time, there was no uniform approach among regulators for classifying locations at which securities operations were conducted.⁸ Resultingly, it was determined that implementing a centralized registration process would make broker-dealer operations more efficient and lead to cost savings while also permitting securities regulators to effectively examine such locations in furtherance of investor protections.⁹ Since the early adoption of supervision rules, an office of supervisory jurisdiction (“OSJ”) has been defined to include offices where supervision occurs, along with those where other enumerated functions (e.g., structuring of public offerings or private placements) are performed that have been deemed of significant regulatory importance.¹⁰ Consistent with FINRA’s approach, the MSRB defined an office of municipal supervisory jurisdiction (“OMSJ”) in Rule G-27(g)(i) as including those offices where comparable activities to an OSJ are conducted with respect to municipal securities, as more fully described below. The current construction was put into place due to concerns that persons associated with broker-dealers were “engaging in the offer and sale of securities to the public without adequate

⁵ See *supra* note 3 at 70991.

⁶ *Id.* at 70992.

⁷ The Central Registration Depository (“CRD”)® was designated as the means through which branch office registration information would be submitted by broker-dealers.

⁸ FINRA worked with the North American Securities Administrators Association and the New York Stock Exchange to reduce inconsistencies in the ways in which locations were defined. Those efforts led to a uniform definition that mirrors the Securities and Exchange Commission’s (the “Commission”) definition of “office,” under Exchange Act Rule 17a-3, on books and records requirements. More specifically, Exchange Act Rule 17a-3(g)(i) defines the term as “any location where one or more associated persons regularly conduct the business of handling funds or securities or effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any security.” See 17 CFR 240.17a-3.

⁹ See Exchange Act Release No. 48897 (December 9, 2003), 68 FR 70059, 70063 (December 16, 2003) (SR-NASD-2003-104).

¹⁰ See FINRA, Notice to Members 86-65, Compliance with the NASD Rules of Fair Practice in the Employment and Supervision of Off-Site Personnel (September 12, 1986).

ongoing supervision" due to being at locations (i.e., offsite) away from the offices of the broker-dealer.¹¹

More recently, in recognition of the change in the manner in which business is conducted, brought on by the sustained COVID-19 pandemic, FINRA amended its Rule 3110, on supervision, to permit newly-defined residential supervisory locations ("RSL") to be treated as non-branch locations¹² and to provide dealers the option to participate in FINRA's Remote Inspection Pilot Program through June 30, 2027,¹³ if certain conditions are met specific to each rule provision. Similarly, the MSRB amended Rule G-27 to conform with these new FINRA provisions. More specifically, the MSRB adopted Rule G-27 Supplementary Material .04, on residential supervisory locations, to permit certain dealers ("FINRA-member dealers") to designate as an RSL an associated person's private residence where specified supervisory activities are conducted relating to their municipal securities activities, which would otherwise be classified as an OMSJ due to the supervisory activities undertaken at such location.¹⁴ The MSRB also adopted Rule G-27 Supplementary Material .05, on remote inspections pilot program, to provide dealers with the option to participate in FINRA's three-year remote inspection pilot program with respect to their municipal securities activities under Rule G-27, if certain conditions were met.¹⁵

The MSRB is issuing this request for comment as the next step in its dealer supervision retrospective rule review. The Draft Amendments address targeted areas of the rule that the MSRB believes could be modernized without modifying the OMSJ and municipal branch office definitions, which as noted above are closely tied to the parallel concepts under FINRA and state regulatory obligations and as a result would potentially call for coordinated action among the regulatory bodies. This request for comment also outlines a number of questions that the MSRB seeks to survey the industry on in determining next steps of the retrospective rule review effort. The MSRB recognizes that the modern workplace needs to take into account technological innovations and current business

¹¹ At the time, FINRA remarked that "the potential for significant regulatory problems exists when registered representatives conduct business at locations that are not subject to regular examination by the member and operate without direct oversight of qualified supervisory personnel." See Exchange Act Release No. 26177 (October 13, 1988), 53 FR 41008 (October 19, 1988) (SR-NASD-88-31). See also FINRA, Notice to Members 88-11, Proposed Amendments to Article III, Section 27 of the NASD Rules of Fair Practice Regarding Supervision and the Definitions of "Office of Supervisory Jurisdiction" and "Branch Office" (February 8, 1988).

¹² See Exchange Act Release No. 98980 (November 17, 2023), 88 FR 82447 (November 24, 2023) (SR-FINRA-2023-006).

¹³ See Exchange Act Release No. 98982 (November 17, 2023), 88 FR 82464 (November 24, 2023) (SR-FINRA-2023-007).

¹⁴ See Exchange Act Release No. 100131 (May 14, 2024), 89 FR 43961 (May 20, 2024) (SR-MSRB-2024-04).

¹⁵ See Exchange Act Release No. 100291 (June 6, 2024), 89 FR 49950 (June 12, 2024) (SR-MSRB-2024-05).

practices without compromising the important safeguards that further investor and issuer protection. To underscore the core principles of the current supervisory framework, a dealer must establish and maintain a system to supervise the municipal securities activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable MSRB rules. Alongside the foundational requirement mentioned above, Rule G-27 states that final responsibility for proper supervision rest with the dealer.¹⁶ Thus, this would include dealers being responsible for establishing policies and procedures to ensure effective oversight of municipal securities-related activities of their associated persons that occur somewhere other than in dealers' offices or locations.

Current Rule G-27 Dealer Supervision Office and Location Requirements

Definition of Office of Municipal Supervisory Jurisdiction

In broad strokes, locations and offices from which associated persons work are designated as either registered offices (e.g., municipal branch offices) or unregistered locations — this designation primarily affects the supervisory responsibilities of dealers. Rule G-27(g)(ii)(A) defines a municipal branch office as any location where one or more associated persons of a dealer regularly conducts the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any municipal security, or that is held out as such.¹⁷ Pursuant to Rule G-27(g)(i) a municipal branch office is further classified as an OMSJ if any one or more of the following enumerated activities occurs at the location:

- (A) order execution and/or market making;
- (B) structuring of public offerings or private placements;
- (C) maintaining custody of customers' funds and/or municipal securities;
- (D) final acceptance (approval) of new accounts on behalf of the dealer;
- (E) review and endorsement of customer orders, pursuant to subparagraph (c)(i)(G)(2) above;

¹⁶ See MSRB Rule G-27(b).

¹⁷ Rule G-27(g)(ii)(A) excludes from registration as a municipal branch office: (1) a location that operates as a back office; (2) a representative's primary residence provided it is not held out to the public and certain other conditions are satisfied; (3) a location, other than the primary residence, that is used for less than 30 business days annually for securities business, is not held out to the public as an office, and which satisfies certain of the conditions set forth in the primary residence exception; (4) a location of convenience used occasionally and by appointment; (5) a location used primarily for non-securities business and from which less than 25 securities transactions are effected annually; (6) the floor of an exchange; and (7) a temporary location used as part of a business continuity plan.

(F) final approval of advertising for use by persons associated with the dealer, pursuant to Rule G-21(f); or

(G) responsibility for supervising the municipal securities activities of persons associated with the dealer at one or more other municipal branch offices of the dealer.

Neither Rule G-27 nor FINRA Rule 3110 defines what activities would be considered structuring of public offerings or private placements that must be conducted at an OMSJ or OSJ, respectively, and neither regulator has published guidance as to what specific tasks would or would not fall into this category.

This lack of specific definition or guidance on the activities subsumed within this term is significant due to the fact an OMSJ must have an appropriately qualified principal on-site¹⁸ and is subject to annual office inspection.¹⁹ In contrast, under Rule G-27(d)(1)(B), dealers need only inspect municipal branch offices that do not supervise one or more non-branch locations at least every three years, and under Rule G-27(d)(i)(C), need only inspect non-branch locations on a regular, periodic schedule. Further, non-supervisory branch locations and non-branch locations need not have an on-site principal.

30-Business Day Exclusion from Municipal Branch Office Definition

As previously noted, Rule G-27(g)(ii)(A) defines a municipal branch office as any location where one or more associated persons of a dealer regularly conducts the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any municipal security, or is held out as such, with certain exclusions. One of the exclusions from the municipal branch office definition is outlined in Rule G-27(g)(ii)(A)(3), which excludes any location, other than a primary residence, that is used for municipal securities activities for less than 30 business days in any one calendar year, provided the dealer complies with the provisions outlined in Rule G-27(g)(ii)(A)(2)(a) through (h).²⁰ Such

¹⁸ See Rule G-27(b)(iv) requiring dealers to designate an appropriately registered principal at each OMSJ.

¹⁹ See Rule G-27(d)(i)(A) requiring dealers to inspect each OMSJ at least annually.

²⁰ Rule G-27(g)(ii)(A)(2)(a) through (h) states:

- (a) Only one associated person, or multiple associated persons who reside at that location and are members of the same immediate family, conduct business at the location;
- (b) The location is not held out to the public as an office and the associated person does not meet with customers at the location;
- (c) Neither customer funds nor securities are handled at that location;

a location, also sometimes referred to as a temporary location, would be treated as a non-branch location under the rule.

As such, a dealer's associated persons currently are limited to less than 30 business days per calendar year when working at locations such as a vacation or second home, long term rental, or the residence of a partner or family member, and dealers must have a process to track compliance with this 30-business day limit. In the context of this exemption, the term "business day" is defined to exclude any partial business day, provided the associated person spends at least four hours of such business day at his or her designated municipal branch office during the time period such office is normally open for business. This is intended to prevent associated persons from regularly conducting business from locations other than their primary residencies for the majority of a business day, without such activity being counted towards the 30-business day limit.

Summary of Draft Amendments

Structuring of Public Offerings or Private Placements

Public finance is a broad term that is not defined under MSRB rules and different dealers may include within its ambit varying aspects of the process of bringing new issues of municipal securities to market. The Draft Amendments seek to provide greater clarity on what aspects of this process may be included within or excluded from the term "structuring of public offerings or private placements," which serves to determine whether such activities must be engaged in at an OMSJ. The Draft Amendments would maintain the current framework in which structuring of public offerings or private placements must continue to be conducted at an OMSJ, thus remaining harmonized with the office/location approach taken by FINRA and the state regulators. However, the Draft Amendments would seek to distinguish the function of final approval, commitment or other formal action on behalf of the dealer regarding the structuring of a municipal public or private offering (i.e., issuance of municipal securities), which generally would be deemed structuring activities, from certain functional work (e.g., performing debt modeling, financial analysis and

- (d) The associated person is assigned to a designated municipal branch office, and such designated municipal branch office is reflected on all business cards, stationery, advertisements and other communications to the public by such associated person;
- (e) The associated person's correspondence and communications with the public are subject to the dealer's supervision in accordance with this rule;
- (f) Electronic communications (e.g., e-mail) are made through the dealer's electronic system;
- (g) All orders are entered through the designated municipal branch office or an electronic system established by the dealer that is reviewable at the municipal branch office;
- (h) Written supervisory procedures pertaining to supervision of sales activities conducted at the residence are maintained by the dealer.

numbers running) that may be engaged in by other public finance professionals, in support of final approval of bespoke recommendations, commitment of dealer's capital or other formal action on behalf of the dealer concerning the structure of a deal, which would be defined as "excluded public finance activities" under new Supplementary Material .07 of the Draft Amendments. Such excluded public finance activities would not be deemed to be structuring. Moreover, new Supplementary Material .07 of the Draft Amendments would also clarify that solicitation or "pitching" of a dealer's investment banking services (i.e., public finance banking services)²¹ to an issuer or obligated person, including preparing presentation materials for such pitches or solicitations, by itself without engaging in other types of public finance activities, would also constitute excluded public finance activities and therefore not be deemed structuring.²²

The examples that are provided in new Supplementary Material .07 of the Draft Amendments do not represent an exhaustive list of activities that may be engaged in by public finance professionals that would be deemed outside the scope of structuring of a municipal securities offering and therefore would be treated as excluded public finance activities, so long as such other activities do not include decision making, final approval or commitment, or ultimate supervision on behalf of the dealer with respect to a public offering or private placement conducted by the dealer.

The new Supplementary Materials .06 and .07 of the Draft Amendments would be consistent with one of FINRA's early tenets of what constitutes an OSJ, which is where final approval/formal action occurs with respect to dealers' activities.²³ Through stakeholder outreach and the review of the Uniform Branch Office Registration Form (Form BR)

²¹ FINRA previously stated that, if a location is utilized to solicit a member's investment banking services, but such investment banking services are not performed from the location, registration as a branch office is not required, provided, of course, no other activities at the location would otherwise require branch office registration. A location from which such investment banking services are performed would require registration. FINRA went on to state that investment banking services include, among other things, acting as an underwriter in an offering for the issuer, acting as a member of a selling group in a securities underwriting, and serving as placement agent for the issuer. See FINRA, Notice to Members 06-12, Uniform Branch Office Definition Joint Interpretive Guidance from NASD and the NYSE Relating to Uniform Branch Office Definition Under NASD Rule 3010(g)(2) and NYSE Rule 342.10 (March 2006).

²² While pitching business may sometimes involve communications that have characteristics of a recommendation, such solicitation activities constituting excluded public finance activities are distinguished from final approval of bespoke recommendations, which would continue to constitute structuring activities, in that bespoke recommendations would be those that are specifically tailored to a client rendered during the course of an engagement, rather than as part of the process of seeking an engagement.

²³ The idea that functional work may be completed at a separate location from final approval was previously discussed by FINRA in a notice to members discussing FINRA office designations. More specifically, FINRA noted that it intended to require OSJ designation for any office at which the approval that constitutes formal action by the member takes place. See FINRA, Notice to Members 88-11, Proposed Amendments to Article III, Section 27 of the NASD Rules of Fair Practice Regarding Supervision and the Definitions of "Office of Supervisory Jurisdiction" and "Branch Office" (February 8, 1988).

information,²⁴ the MSRB believes that many dealers, out of an abundance of caution, appear to treat each individual that engages in functional work making up part of the overall process of bringing a new issue of municipal securities to market, regardless whether that individual's contribution constitutes final approval with respect to any bespoke recommendation, commitment of dealer's capital or other formal action on behalf of the dealer concerning the structure of a deal, as being required to be located at an OMSJ and subject to the accompanying regulatory and compliance obligations. The MSRB believes that the Draft Amendments would provide clarity to all dealers as to which public finance activities are required to be engaged in at an OMSJ and which such activities may constitute excluded public finance activities that need not be conducted at an OMSJ.

As aforementioned, the Draft Amendments would adopt Supplementary Material .06 and Supplementary Material .07. Under the Draft Amendments, such activities/functions involved in structuring a municipal securities offering, including, but not limited to: debt modeling, financial analysis, number running (throughout the process, including in connection with pricing or re-pricing an offering) and pitching/solicitation of a dealer's investment banking services (i.e., public finance banking services) would be exempt from the definition of structuring and could be carried out in a municipal branch office or at an associated person's primary residence (i.e., a non-branch location), provided that the requirements for the primary residence exception are satisfied.²⁵

The Draft Amendments to the supervisory framework would not alter a dealer's threshold obligation to establish and maintain a system to supervise the municipal securities activities of each associated person that is reasonably designed to achieve compliance with applicable rules and a dealer would still be required to, among other things:

- Designate appropriate offices as OMSJs;²⁶

²⁴ Dealers must register each branch office with FINRA and states that require branch registration by electronically filing Form BR via FINRA's Gateway or by notifying an SRO or jurisdiction of the existence of a branch office for which approval is not required (i.e., notice filing). The MSRB notes that providing information on OMSJ is optional on Form BR.

²⁵ Dealers would have the flexibility to allow such public finance activities that would otherwise occur in a municipal branch office to be conducted from an associated person's primary residence, if the specified conditions are met. A location that is an associated person's primary residence is exempt from the municipal branch office registration, if, among other things: i) the location is not held out to public as an office and the associated person does not meet with customers at the location; ii) the associated person is assigned to a designated municipal branch office, and such designated municipal branch office is reflected on all business cards, stationery, advertisements and other communications to the public by such associated person; iii) the associated person's correspondence and communications with the public are subject to the dealer's supervision in accordance with this rule; and iv) electronic communications (e.g., e-mail) are made through the dealer's electronic system. See Rule G-27(g)(ii)(A)(2).

²⁶ See Rule G-27(b)(iii).

- Maintain and preserve the books and records required to be maintained and preserved by MSRB Rule G-8 at a municipal branch office; and
- Review the incoming and outgoing correspondence (including electronic communications) of its municipal securities representatives with the public relating to the municipal securities activities of such dealer.

The MSRB believes new Supplementary Material .06 and .07 of the Draft Amendments would reduce unnecessary regulatory and compliance burdens on dealers while maintaining an effective supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable MSRB rules. A principal would not be required to be on-site so long as no other activities within the definition of OMSJ are conducted from such office or location. In addition, such municipal branch office or non-branch location would not be subject to the annual office inspection cycle required under the rule but instead would be subject to the applicable inspection schedule for the type of location.

30-Business Day Exclusion

Recently, through stakeholder outreach, dealers have voiced a desire to increase the 30-business day exclusion for locations that would otherwise be deemed a municipal branch office. These firms believe that 30 days is too low of a threshold; and as such, dealers are constrained in providing a more structured usage (i.e., the provision does not allow for regular usage throughout the 52 weeks in a year) consistent with post-pandemic work patterns.²⁷ Dealers have noted that amending the rule to allow for a 52-day exclusion for locations would provide dealers with more optionality in their approach to providing greater flexibility to their associated persons — recognizing the culture of hybrid work environments.

The MSRB recognizes that the 30-business day exclusion may be more restrictive than necessary when balancing its utility against the time-consuming process of having dedicated compliance resources tracking the number of days and hours associated persons are working at a location, other than their primary residence, for purpose of complying with the rule.²⁸ Furthermore, considering that a dealer would be required to register a location as a branch office if such location reaches the 30-business day limit in a

²⁷ The MSRB notes that FINRA Rule 3110(f)(2)(A)(iii) contains a similar 30-business day provision.

²⁸ FINRA previously noted that, if a member relies on the 30-business day exclusion, a dealer is expected to demonstrate compliance with the business day limitation by maintaining, at a minimum, logs identifying any such locations, business days spent at such locations, and the activities of the associated person conducted from such locations. See FINRA, Notice to Members 06-12, Uniform Branch Office Definition Joint Interpretive Guidance from NASD and the NYSE Relating to Uniform Branch Office Definition Under NASD Rule 3010(g)(2) and NYSE Rule 342.10 (March 2006).

calendar year,²⁹ the MSRB believes allowing greater flexibility acknowledges the evolving nature of today's workplace environments.

The Draft Amendments would extend the exclusion from less than 30 business days per calendar year to 60 business days or fewer per calendar year that associated persons would be able to work at locations, other than their primary residence, without subjecting such locations to the municipal branch office registration. The MSRB is also mindful that this extension would create additional flexibility for municipal market professionals who would not otherwise be able to avail themselves of the flexibility provided for under the Draft Amendments pertaining to excluded public finance activities. The new 60-business day limit would permit associated persons of a dealer who regularly conduct the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any municipal security to work from such locations once per week (with a small additional buffer for flexibility) without triggering municipal branch office registration, so long as certain conditions are satisfied.

The MSRB believes the Draft Amendments would remain consistent with the intent of the 30-business day exclusion that such locations are viewed as temporary locations.

Economic Analysis

Section 15B(b)(2)(C) of the Securities Exchange Act of 1934 requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act.³⁰ The MSRB has considered the economic impact of the Draft Amendments in this RFC. The MSRB does not believe that the Draft Amendments described herein would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The MSRB seeks comments on the economic effects of the Draft Amendments to MSRB Rule G-27.

A. Need for draft amendments

The MSRB's policy on economic analysis in rulemaking states that, prior to proceeding with rulemaking, the MSRB should evaluate the need for the potential rule change and determine whether the rule change as drafted would, in its judgment, meet that need. The Draft Amendments focus on two areas: 1) clarifying the term "structuring of public offerings or private placements" within Rule G-27's definition of OMSJ; and 2) the 30-business day exclusion from the municipal branch office registration for locations other than a primary residence.

²⁹ Once the 30-business days in a calendar year limit has been reached, firms will have a 30 calendar-day window to register such location as a municipal branch office. *Id.*

³⁰ See the MSRB's [Policy on the Use of Economic Analysis in MSRB Rulemaking](#).

The Draft Amendments are intended to provide reasonable flexibility for public finance activities without compromising the need for investor and issuer protection. The Draft Amendments seek to draw a distinction between the function of final approval of bespoke recommendations, commitment of the dealer's capital or other formal action regarding the structuring of a municipal public or private offering from the functional work that supports the structuring of a deal and exempt these supporting activities from the definition of structuring of public offerings or private placements. Thus, those activities would not be required to be conducted at an OMSJ. In addition, the Draft Amendments are intended to create flexibility for municipal market professionals by extending the exclusion for locations, other than a primary residence, that would otherwise be deemed a municipal branch office from 30 business days per year to 60 business days per year.

B. Relevant baselines against which the likely economic impact can be considered

To evaluate the potential impact of the Draft Amendments, a baseline or baselines must be established as a point of reference to compare the expected state with the Draft Amendments. The economic impact of the Draft Amendments is generally viewed as the difference between the baseline state and the expected state. For the purposes of this RFC, the baseline is Rule G-27 in its current form.

C. Identifying and evaluating reasonable alternative regulatory approaches

The MSRB's policy on economic analysis in rulemaking addresses the need to consider reasonable potential alternative regulatory approaches, when applicable. Under this policy, only reasonable regulatory alternatives should be considered and evaluated. The MSRB identified the following potential alternative regulatory approaches for Rule G-27.

One alternative would be to exempt the structuring of municipal public offerings or private placements from the definition of OMSJ, and subsequently the designation of such locations as OMSJ. This alternative would reduce the need for OMSJ designations and therefore would further decrease compliance burdens associated with assigning an on-site supervisor qualified as a municipal securities principal and the need to conduct an annual inspection of that location by the dealer. While this alternative calls for the exemption of structuring of municipal public offerings or private placements from the OMSJ definition, dealers may still be required to designate such locations as an OSJ as per FINRA Rule 3110, which would lead to an increase in burdens and challenges due to inconsistencies in regulatory approach in complying with MSRB and FINRA rules. Additionally, there are interdependencies upon which the current office and location framework rests, for example, state security regulators utilize data collected by FINRA on OSJ and OMSJ designations. The result is a patchwork of supervisory regulation that may introduce additional compliance burdens for dealers. For this reason, the MSRB believes the Draft Amendments are superior to this alternative, although the MSRB believes that this

alternative could be reconsidered in the future if the other regulators were to revisit the office designation requirements in their respective regulatory frameworks.

Another alternative the MSRB considered was to explicitly provide for a fully principles-based approach to defining the term the “structuring of public offerings or private placements.” Rule G-27 does not currently differentiate between the various public finance activities that may be performed as part of the structuring of public offerings or private placements. However, the MSRB believes that providing final approval of bespoke recommendations, commitment of the dealer’s capital or other formal action regarding the structuring of a municipal public offering or a private placement is an essential function for issuance of municipal securities in relation to public finance activities. The approach taken by the Draft Amendments would provide a framework that would allow greater certainty to dealers regarding those activities that may constitute structuring and those that may be excluded while maintaining some degree of flexibility in determining whether any activities not explicitly outlined in the Draft Amendments are best treated in one category or another, depending on the specific practices and processes in place at a particular dealer firm. A fully principles-based approach would allow dealers to make their own determination, with significantly less regulatory guidance, of what activities are included within the definition of structuring, and subsequently which locations required OMSJ designation. However, this approach may introduce additional regulatory uncertainty into dealer supervision. A dealer may require all public finance activities to occur at an OMSJ out of an abundance of caution, which would not reduce any compliance burden. It is for this reason that the MSRB determined this alternative is inferior to the Draft Amendments.

An alternative to extending the 30-business day per year exclusion from municipal branch office registration to 60-business day per year for non-primary residences, would be to extend the 30-business day per year exclusion to 120 business days per year, or approximately 48% of the total business days in a year.³¹ The 60 business days per year proposed in the Draft Amendments would account for approximately 23% of total business days a year or about once a week with additional days for added flexibility. This alternative of 120 business days per year would provide even more flexibility for associated persons and further reduce the burden of registering municipal branch offices. However, the MSRB believes that exceeding the threshold of one quarter of all business days of remote work without triggering municipal branch office registration for these locations could jeopardize investor and issuer protection as intended by the current supervisory framework, since these remote working locations are subject to a less stringent dealer inspection requirement than municipal branch offices, consisting of inspections on a regular schedule as opposed to at least every three years. The MSRB therefore believes the Draft Amendments offer a superior approach to this alternative.

³¹ The hypothetical number of business days, as percentages, as used in this alternative assumes 260 business days per year.

D. Assessing benefits, costs and effects on competition

The MSRB policy on economic analysis in rulemaking requires consideration of the likely costs and benefits of a draft rule change when the rule change is fully implemented against the context of the economic baselines. The MSRB is currently unable to quantify the economic effects of the Draft Amendments in their totality because not all the information necessary to provide a reasonable estimate is available. Given the limitations on the MSRB's ability to conduct a comprehensive quantitative assessment of the costs and benefits associated with the Draft Amendments, the MSRB has considered these costs and benefits partially in qualitative terms but believes the upfront costs to dealers are relatively minor and benefits should accrue to dealers and investors over time and therefore are expected to exceed costs over time. The MSRB is seeking, as part of this RFC, additional data or studies relevant to the costs and benefits of the Draft Amendments.

(i) Benefits

The MSRB anticipates that dealers would benefit from the new Supplementary Material .06 and .07 in the Draft Amendments regarding the definition of OMSJ and excluded public finance activities. At present, any location with one or more persons engaging in public finance activities that might be considered structuring of public offerings or private placements is likely classified by the dealer under Rule G-27 as an OMSJ in most instances, and as a result, these locations must comply with Rule G-27's accompanying regulatory and compliance requirements. These requirements include the presence of an on-site supervisor qualified as a municipal securities principal and the annual inspection of the location. The Draft Amendments would call out certain excluded public finance activities that support the overall structuring process but would not need to be conducted from a location designated as an OMSJ. More specifically, performing these activities at a given location would not, by itself, qualify the office or location as an OMSJ if no other activities occur at such location that would necessitate OMSJ designation. The MSRB expects that dealers would benefit from a reduction in expenses related to staffing and supervising an OMSJ without harming issuer and investor protection.

In addition, the proposed extended 60-business day exclusion for locations, other than a primary residence, that would otherwise be deemed as a municipal branch office provides dealers' associated persons the ability to work from locations that are not their primary residence, such as a vacation or second home, once per week (with a small additional buffer for flexibility) without triggering municipal branch office registration. The MSRB believes the extension would lessen the compliance burden for firms by requiring fewer municipal branch office registrations and not materially reduce any protection for investors and issuers given the widespread adoption of a culture of hybrid work environments.

(ii) Costs

The MSRB acknowledges that dealers would likely incur minor costs due to the Draft Amendments, relative to the baseline state (current state). Dealers would be expected to

incur one-time, upfront costs related to revising policies and procedures along with ongoing compliance costs with the Draft Amendments. Table 1 shows that firms would incur one-time upfront costs of approximately \$3,430. The MSRB also identified one area of ongoing costs to total approximately \$1,214 for the purpose of ensuring compliance. On aggregate, the MSRB believes these upfront and ongoing costs are minor. In addition, it is the MSRB's belief that investors and issuers would not realize any material reduction in protections from the Draft Amendments as the key components of the structuring process would remain under the supervision of a public finance professional(s) associated with an OMSJ and all activities in this process would continue to be subject to the same fair practice and supervisory obligations established under MSRB rules. In summary, the MSRB anticipates that the benefits, as described above, would outweigh the costs over time.

Table 1. Upfront and Partial Ongoing Costs for Dealers³²

Cost Components	Hourly Rate	Number of Hours	Cost per Firm
Upfront Costs			
a) Revision of Policies and Procedures			
Compliance Manager	\$ 391	2	\$ 782
In-House Compliance Counsel	\$ 461	1	\$ 461
Outside Legal Counsel	\$ 628	1	\$ 628
Director of Compliance	\$ 607	1	\$ 607
Chief Compliance Officer (CCO)	\$ 690	0.5	\$ 345
			\$ 2,823
b) Training and Education			
Director of Compliance	\$ 607	1	\$ 607
			\$ 607
Total Upfront Costs			\$ 3,430
Ongoing Costs			
a) Compliance Review			
Director of Compliance	\$ 607	2	\$ 1,214
Total Ongoing Costs			\$ 1,214

³² The hourly rates data is gathered from the Commission's filing on "Amendments Regarding the Definition of "Exchange" and "Alternative Trading Systems (ATSS) That Trade U.S. Treasury and Agency Securities, National Market System (NMS) Stocks, and Other Securities." See Exchange Act Release No. 94062 (January 26, 2022), 87 FR 15496, 15624 (March 18, 2022) (File No. S7-02-22). The Commission's economic analysis utilizes the Securities Industry and Financial Markets Association, Management & Professional Earnings in the Securities Industry—2013 Report for the hourly rates of various financial industry market

(iii) Effect on Competition, Efficiency, and Capital Formation

The MSRB believes that the Draft Amendments would neither impose a burden on competition nor hinder capital formation, as the Draft Amendments are applicable to all dealers. The Draft Amendments would improve the municipal securities market's operational efficiency and promote regulatory certainty by providing dealers with greater flexibility in achieving regulatory obligations outlined in Rule G-27. At present, the MSRB is unable to quantitatively evaluate the magnitude of the efficiency gains or losses but believes the benefits of greater flexibility are accumulated over time for all market participants and would outweigh the upfront costs of revising policies and procedures as well as the ongoing compliance and recordkeeping costs by dealers.

Input Sought on Further Stages of Retrospective Rule Review

As noted above, the Draft Amendments represent an early stage of the MSRB's broader retrospective review of Rule G-27 in the context of current practices and the likely evolution of practices into the future. While the Draft Amendments are designed to provide greater clarity to dealers within the current supervisory construct, the MSRB seeks input that may encompass both further incremental changes or narrowly focused clarifications as well as suggestions on potential alternative approaches to reimagining some or all components of the supervisory process, while ensuring the protections afforded to customers and other market participants.

In conjunction with this retrospective rule review, the MSRB has reviewed comments received by FINRA in response to a pair of regulatory notices seeking comment on modernizing its rulebook and, more specifically, its rules relating to the organization and operation of FINRA member workplaces.³³ The MSRB welcomes feedback from commenters on the extent to which such comments – as applicable to dealer supervisory requirements – should be viewed by the MSRB as potentially applying to MSRB Rule G-27 and with respect to which the MSRB should seek to remain harmonized with supervisory rules applicable to FINRA members that do business in other sectors of the securities market. Relatedly, the MSRB seeks market participants' views on any areas where, due to factors unique to the municipal securities market, the MSRB should consider supervisory requirements that may differ from FINRA requirements.

professionals. To compensate for inflation, the data reflects the third quarter of 2025 hourly rate level after adjusting for the annual cumulative wage inflation rate of 46% between 2013 and 2025. See [The Federal Reserve Bank of St. Louis Employment Cost Index: Wages and Salaries Private Industry](#). The number of hours for each task is based on the MSRB's internal estimate.

³³ See FINRA Regulatory Notice 25-04, FINRA Launches Broad Review to Modernize Rules Regarding Member Firms and Associated Persons (March 12, 2025) (notice and comment letters available at <https://www.finra.org/rules-guidance/notices/25-04>) and FINRA Regulatory Notice 25-07, FINRA Requests Comment on Modernizing FINRA Rules, Guidance, and Processes for the Organization and Operation of Member Workplaces (April 14, 2025) (notice and comment letters available at <https://www.finra.org/rules-guidance/notices/25-07>).

Questions

The MSRB acknowledges that making major changes to the existing supervisory framework will require coordination among self-regulatory organizations and state securities regulators. Therefore, the questions below are intended to help the MSRB better understand and prioritize immediate initiatives during its retrospective rule review, as it collaborates with others on developing a long-term vision for reimagining the supervisory framework. Since this request for comment seeks input on the full range of supervisory obligations under Rule G-27, commenters should not view the following questions as limiting the scope of issues that they should feel free to address.

Structuring of Public Offerings or Private Placements

1. What public finance functions should fall under the category of “structuring of public offerings or private placements”?
2. What public finance functions should not fall under the category of “structuring of public offerings or private placements”?
3. How should Rule G-27 differentiate between public finance functions that must be conducted at an OMSJ and those that could be conducted at other offices?
4. Is the industry clear on the definition of “structuring of public offerings or private placements”?
5. Do firms define the function of structuring as a combination of public finance banking activities and underwriting activities? If so, which tasks are considered public finance banking activities and which are underwriting activities.
6. If there is a clear distinction between public finance banking activities and underwriting activities, should the MSRB clarify which of those distinct functions would be deemed to take place at an OMSJ? If, in contrast, there is a lack of clarity on this distinction, should the MSRB avoid using the public finance banking and underwriting activities terminology?

30-Business Day Exclusion

7. Should the 30-business day exclusion from the branch office definition under Rule G-27(g)(ii)(A)(3) be extended to 60 business days per calendar year?
8. Should the MSRB consider a number other than 60 business days per calendar year for the exclusion under Rule G-27(g)(ii)(A)(3)?

9. Pursuant to Rule G-27(g)(ii)(C), a "business day" does not include any partial business day, as long as the associated person spends at least four hours at their designated municipal branch office during normal business hours. Should the MSRB consider allowing dealers to define what constitutes a "business day," for purposes of greater operational efficiencies in tracking associated persons' compliance with the rule?
10. Are there any other suggestions regarding the 30-business day exclusion from the branch office definition under Rule G-27(g)(ii)(A)(3)?

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11. Given modern communication technology is allowing for transactions in municipal securities to be effected anywhere, does the definition of municipal branch office need to be updated in some respects? Rule G-27(g)(ii)(A) defines a municipal branch office as any location where one or more associated persons of a dealer regularly conducts the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any municipal security, or is held out as such. Should the MSRB define *regularly* for purposes of aiding a dealer's understanding of whether to classify a location as a municipal branch office? If the MSRB were to define *regularly* as three or more days per week would dealers find this brightline test helpful?
12. The primary residence exception by and large tracks the limitations on the use of a private residence under the Commission's records preservation rule, Exchange Act Rule 17a-4. Should the primary residence exception be changed to a private residence exception for regulatory consistency, and the permitted activities at these locations be broadened beyond those covered by the RSL classification, such as allowing for the structuring of public offerings or private placements and order execution/market making, if certain conditions are met?
13. In addition to the Draft Amendments, what other areas of Rule G-27 should the MSRB consider reviewing as part of the Rule G-27 retrospective rule review?
14. Should the MSRB consider retiring any current Rule G-27 interpretive guidance? Please be specific.

Other

15. Would the Draft Amendments result in a disproportionate and/or undue burden for small dealers?
16. Would the Draft Amendments negatively impact small dealers' access to business opportunities?

17. Could the Draft Amendments result in any inadvertent negative implications for dealers, investors or issuers, or marketplace fairness and efficiency more generally?

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Text of Draft Amendments*

Rule G-27: Supervision Supervisory and Compliance Obligations of Brokers, Dealers and Municipal Securities Dealers

(a) - (f) No change.

(g) *Definitions*. For purposes of this rule, the following terms have the following meanings:

(i) "Office of municipal supervisory jurisdiction" means any office of a dealer at which any one or more of the following functions take place with respect to municipal securities, subject to Supplementary Material .06 of this Rule:

(A) – (G) No changes.

(ii) (A) A "municipal branch office" is any location where one or more associated persons of a dealer regularly conducts the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any municipal security, or is held out as such, excluding:

(1) – (2) No change.

(3) Any location, other than a primary residence, that is used for municipal securities activities for ~~less than 30~~ ~~60~~ business days or fewer in any one calendar year, provided the dealer complies with the provisions of clauses (ii)(A)(2)(a) through (h) above;

(4) – (7) No change.

(B) – (C) No change.

(iii) – (vi) No change.

* Underlining indicates new language; strikethrough denotes deletions.

Supplementary Material

.01 - .05 No change.

.06 Exemption from Office of Municipal Supervisory Jurisdiction. A location would not meet the definition of an office of municipal supervisory jurisdiction, as defined under subsection (g)(i), if such location engages in excluded public finance activities, as defined under Supplementary Material .07 of this rule, which would not be deemed structuring, and does not engage in any other activity that would require office of municipal supervisory jurisdiction designation. If a location satisfies the conditions set forth in subparagraph (g)(ii)(A)(2)(a) through (h) of this rule, to exclude it from the definition of municipal branch office under paragraph (g)(ii)(A) of this rule, such location that is an associated person's primary residence from which excluded public finance activities are conducted would be deemed a non-branch location, as long any associated person does not engage in any other activities that would require designation of such location as an office of municipal supervisory jurisdiction.

.07 Excluded Public Finance Activities. Notwithstanding paragraph (g)(i)(B) of Rule G-27, the term "excluded public finance activities" is defined as activities that are associated with the structuring of public offerings or private placements, including but not limited to debt modeling, financial analysis, number running and solicitation of issuers or obligated persons for the dealer's investment banking services in connection with municipal securities (i.e., public finance banking services), but do not include final approval of any bespoke recommendation, commitment of dealer capital or other formal action with respect to a public offering or private placement conducted by the dealer. The aforementioned activities do not serve as an exhaustive list of activities that would be deemed excluded public finance activities, and other activities in furtherance of a public offering or private placement could be deemed excluded public finance activities if the dealer can demonstrate that such other activities do not include final approval of any bespoke recommendations or commitment of dealer capital on behalf of the dealer with respect to a public offering or private placement, or the solicitation of issuers or obligated persons for the dealer's investment banking services in connection with municipal securities (i.e., public finance banking services).