



March 16, 2026

Ronald W. Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1300 I Street, NW  
Washington, DC 20005.

***Re: Request for Comment on Draft Amendments to MSRB Rule G-27, Dealer Supervision (MSRB Notice 2026-01)***

Dear Mr. Smith,

The American Securities Association<sup>1</sup> (ASA) appreciates the opportunity to comment on the Municipal Securities Rulemaking Board's (MSRB) request for comment on amendments to Rule G-27 (Dealer Supervision). The ASA represents Main Street broker-dealers that serve retail investors, municipalities, and other local institutions across the country. Our members support the MSRB's retrospective rule review and efforts to modernize Rule G-27 in light of current business practices.

**I. Support for Proposal and Structuring Clarification**

ASA supports the MSRB's proposal to clarify "structuring of public offerings or private placements" in the definition of an office of municipal supervisory jurisdiction (OMSJ). This clarification should reduce uncertainty about which public finance activities trigger OMSJ designation.

We request confirmation that the following support activities, standing alone, do not require OMSJ designation: preliminary data analysis and modeling; drafting presentations and materials for issuer meetings; routine data gathering and document coordination; and running standard debt capacity or sensitivity analyses using established firm models controlled by senior personnel.

**II. Modernizing Supervision for Hybrid Work Environments**

ASA urges the MSRB to modernize Rule G-27 so that supervision is not anchored primarily to physical locations. Firms now use technology-enabled tools—trade surveillance systems,

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<sup>1</sup> ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.





electronic communications monitoring, workflow approvals, and video collaboration—to supervise activities regardless of where personnel are physically located.

**A. One-Person Offices.** The current framework creates unnecessary compliance burdens by requiring OMSJ designation (and principal licenses) for one-person offices engaged in underwriting, trading, or public finance activities. An individual cannot supervise themselves yet must hold supervisory credentials merely to satisfy location-based registration requirements. These offices typically operate under centralized oversight, including commitment committee review, automated surveillance, and multilayered approval workflows that provide effective supervision regardless of physical location.

**B. ASA recommends that the MSRB:**

- Acknowledge technology-enabled, virtual supervision within Rule G-27 or its supplementary material;
- Clarify that effective supervision may be achieved through centralized electronic controls rather than on-site presence;
- Tie OMSJ designation to actual supervisory responsibility, not office headcount or activity type; and
- Create a carve-out for one-person offices engaged solely in trading or production activities where the individual has no supervisory responsibilities.

### **III. Branch Office Framework and 60-Business-Day Extension**

ASA supports extending the exclusion for non-primary residential locations from 30 to 60 business days. This change better aligns with hybrid work patterns and eases administrative tracking of occasional remote work. We encourage the MSRB to consider additional flexibility tied to supervisory risk rather than fixed day counts, and to explicitly recognize that firms may rely on centralized electronic surveillance to manage remote work.

### **IV. Coordination with FINRA on Remote Supervision**

ASA encourages close coordination with FINRA on office definitions, residential supervisory locations, and remote inspections to avoid duplicative frameworks. Firms participating in FINRA's Remote Inspections Pilot Program report that remote inspections, when paired with risk assessments and clear written procedures, have enabled more frequent, targeted reviews focused on higher-risk activities while materially reducing travel costs. Remote access to electronic records, exception reports, and digital workpapers often produces a more complete picture of activity than traditional on-site inspections.

We encourage the MSRB to allow remote inspections under Rule G-27 where a firm's risk assessment, technology, and written procedures support this approach, and to ensure municipal supervisory expectations remain aligned with FINRA's evolving framework.





## **V. Trading and Remote Work**

As part of its supervisory review, ASA encourages the MSRB to confirm that traders and market-makers need not be located in an OMSJ solely due to their activity type when appropriate systems and controls are in place. Traders in remote locations operate under strict desk limits, real-time electronic monitoring, multilayered trade approvals, and exception reporting systems. Transaction-based oversight through centralized surveillance provides more effective supervision than location-centric designations.

We emphasize that location-based supervisory frameworks are increasingly misaligned with institutional municipal securities activities performed across varied locations. Transaction-based oversight—through automated surveillance, workflow approvals, and committee reviews—provides more effective supervision than physical presence requirements.

### **ASA recommends a principles-based framework recognizing that:**

- Supervisory licenses should be tied to supervisory responsibility, not office designation or physical presence
- Firms' existing multilayered supervisory systems—including desk oversight, commitment committees, and electronic monitoring—constitute effective supervision regardless of personnel location
- One-person offices should not require principal licenses absent actual supervisory responsibilities

## **VI. Implementation**

ASA recommends a 12- to 18-month implementation period after SEC approval to allow firms to update policies, procedures, location designations, and surveillance tools. A phased or risk-based implementation would be particularly helpful for smaller and mid-sized Main Street firms with limited compliance staff.

## **VII. Conclusion**

ASA appreciates the MSRB's efforts here and we encourage the MSRB to continue its retrospective review with a focus on risk-based, technology-neutral supervision that eliminates redundant location-based requirements and works effectively for hybrid work environments.

Sincerely,

*Jessica Giroux*

Jessica R. Giroux

Chief Legal Officer

American Securities Association



Ronald W. Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1300 I Street NW  
Washington DC 20005

Transmitted via Web site

March 16, 2026

Dear Mr. Smith,

The Bond Dealers of America welcomes the opportunity to provide comments on MSRB Notice 26-01, "Request for Comment on MSRB Rule G-27 on Dealer Supervision" (the "Proposal"). BDA is the only DC-based group exclusively representing the interests of securities dealers and banks focused on the US fixed income markets.

The Proposal seeks to provide a definition for "structuring of public offerings or private placements" in the context of Rule G-27 and proposes to increase the 30-business-day exception from branch office registration for locations other than primary residences. BDA generally supports both proposals with additional recommendations. In addition, we urge the Board to consider additional amendments to Rule G-27 to provide more flexibility to supervise all categories of employees remotely, including traders.

As the industry has demonstrated for the last six years since the first pandemic lockdowns, it is possible to effectively supervise employees remotely, and MSRB rules should reflect this reality in general. Rule G-27 requires each MSRB dealer to "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 Board rules."

Rule G-27 is largely location-based. The Rule specifies generally that certain outward-facing activities a municipal securities firm engages in, such as order execution or market making or structuring of public offerings or private placements, among others, must be conducted in an office of municipal supervisory jurisdiction (OMSJ) or a branch office. OMSJs and branch offices must be designated, registered and have a properly licensed on-site principal.

In 2023 the SEC approved amendments to Rule G-27 that allow a firm to designate certain primary residences as Residential Supervisory Locations (RSL) where certain supervisory activities may take place without the location being designated as a branch office or OMSJ. The Board also initiated a 3-year remote inspection pilot program for RSLs. Notably, two key

activities are not permitted to be conducted in a RSL and must be conducted on an OMSJ: order execution or market making and structuring of public offerings or private placements (“Structuring”).

The MSRB’s location-based supervision model is antiquated and obsolete. Principals no longer supervise their employees through physical proximity. They use technology which is not location-dependent whatsoever. The idea that certain activities can only be performed in certain offices with certain designations is not consistent with how modern broker-dealers are managed and operated. We welcome the Board’s openness to addressing these issues.

#### Structuring of public offerings or private placements

Rule G-27 does not currently define Structuring. Various BDA member firms have interpreted that provision differently, and the confusion has led to a lack of consistency in how this element of Rule G-27 is complied with. That is why we welcome the Board’s proposed definition of Structuring to provide clarity and consistency around the issue.

The Proposal would clarify that structuring is “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.” It would explicitly exclude from the definition “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.”

We generally agree with the proposed clarification. We point out that every firm is different with respect to internal processes that lead to final approval. In some cases an internal committee makes the final decision to approve a transaction. In some cases it may be an investment banking lead banker, supervisor, or underwriter. As is typical with respect to compliance implementation, we expect each firm will include in their written supervisory procedures their own specific process around final approval. We urge the Board to provide as much flexibility as possible around the specifics each firm might identify as their own process for final approval.

For the sake of clarity, we ask that the clarification of Structuring be exclusive, meaning that it defines examples of what may be included in the definition and types of activities not in the definition which would be outside the scope of this provision of the Rule. The Rule clarification would specify that any activity which is not final approval would not be Structuring. A bespoke recommendation by itself, without final approval of the transaction, for example, would not be Structuring, and an exclusive definition would make that clear. It is important that the Rule interpretation allow firms to define a single, clear moment or event that meets the criteria for Structuring and not lead to a misinterpretation that multiple events within a transaction would

be Structuring, requiring principal approval and OMSJ registration of any location from which a particular associate performs any of those events at any given moment.

### 30-business day exclusion

The Proposal would amend Rule G-27(g)(ii)(3), the provision of the Rule that governs supervision of employees at remote locations other than primary residences. Under the current Rule, the definitions of RSL, branch office, and OMSJ exclude locations other than primary residences where employees who engage in OMSJ activities work for less than 30 business days per year. The Proposal would extend that provision to 60 days.

We appreciate the MSRB's desire to provide more flexibility around supervising associates remotely. And we recognize that the Board limited itself in the Proposal to initiatives that would not cause Rule G-27 to deviate from the FINRA supervision regime. As we have argued to the Board many times, coordination between the MSRB and FINRA should be a top priority for both agencies.

However, under the proposal, the unjustified distinction between a primary residence and other locations would remain in place. There is no functional or qualitative difference between supervising an employee when they are at their primary residence and when they are at a vacation home or other residential location other than primary residence. The Board has offered no reasoning why this distinction must remain in the Rule. We urge the MSRB to use this rulemaking process to specify that employees subject to supervision can work and be supervised remotely for up to 60 business days per year regardless whether those days are spent at a primary residence or other location.

The means many firms have adopted to provide work flexibility to associates who engage in OMSJ activities is to designate associates' homes as OMSJs and for associates to obtain a Series 53 Principal licenses even though they are the only ones working in their homes and are not supervising anybody. It also means homes must be physically inspected annually. OMSJs do not qualify for the remote inspection pilot program. One-person, home-based OMSJs are not what the Board had in mind when the current supervision scheme was devised.

In fact, this one-person OMSJ problem has always existed within the Rule for non-residential locations—the “onesie” office location where a single associate works, for which (if a registered person is engaging in OMSJ activities) it is somehow required that that sole associate be the on-site principal for the purpose presumably of supervising themselves. The BDA again asks the MSRB to consider this fact pattern and amend its Rule interpretation to remove not only the antiquated concept of physical supervision requirements but also the unintended burden of technical Rule compliance with no possible substantive benefit.

## Traders

While the BDA applauds the effort to address Structuring for municipal investment bankers, the MSRB has yet to consider associates who “effect transactions in, or induce or attempt to induce the purchase or sale of any municipal security” (“Traders”). We recognize the Board’s desire to take a measured approach to amending Rule G-27 so as not to cause the Rule to deviate from FINRA’s supervision regulations. However, the means dealers use to supervise Traders’ activity is not location based but technological. Supervisors are able to monitor in real time all the activities of the traders they oversee using software and connectivity. Supervisors can monitor transactions, risk positions, hedges, communications with customers and trading counterparties, and virtually any element of a Trader’s activities. And these processes work the same whether the trader is sitting at the next desk or 1,000 miles away.

Location is no longer relevant to broker-dealer supervision. During the pandemic, most traders were working remotely on a daily basis for months, and there were no systemic lapses in supervision across the industry. Even FINRA and SEC examinations of dealers took place remotely and largely still do. The days of a principal supervising a trader by standing over her shoulder watching her work are long past. Supervisory requirements that restrict the location where certain activities can be performed are obsolete. We urge the MSRB and FINRA to work together going forward to make more fundamental changes to both supervision regimes so that regulations better reflect the realities of the business.

## Broader considerations

The Proposal states “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.” While we generally agree that the Proposal would not impose any greater burdens on competition than the current Rule, we also believe the MSRB should, when possible, structure its rules to maximize efficiency without sacrificing investor or issuer protection.

We expect the Board to identify inefficiencies in the regulatory environment (including the current supervision rules) that become unnecessary and obsolete as the financial industry adapts to changes in technology and moves toward a digital and increasingly remote environment. The effects on competition should not be viewed solely in terms of one product or one market or one rule provision but holistically across the entire landscape of the financial markets and the technological advances that affect competition across the industry. The current location-based supervision regime results in the kinds of across-the-industry inefficiencies that make every firm less competitive.

These inefficiencies and lack of flexibility are affecting the ability to attract talent to the municipal business. Non-dealer Municipal Advisors compete directly for talent with municipal Broker-Dealers, and MAs have no restrictions at all on work locations. The “buy side” and emerging financial industries like cryptocurrencies and tokenization also recruit from the same talent pool and also are not burdened by location-based supervision. The obsolescence of the MSRB’s supervision regime will continue to make the industry less competitive without more flexibility around remote supervision.

Firms have been successfully supervising all categories of employees remotely for years. Reasonable changes like the Proposal’s definition of Structuring and a more flexible remote supervision regime for Traders would ensure implementation costs to firms are minimal in the short-term because those remote supervision systems are already in place, but would result in significant long-term efficiencies and cost reductions.

Training and standards of conduct have been in place since the pandemic and easily could be enhanced with minimal cost. Firms are already using e-delivery, e-signatures, etc. (no in-person, physical requirements for signing or delivering important documents). Firms’ IT systems are geared toward remote work, including centralized email review and retention, centralized trading platforms, centralized supervisory reporting lines, etc. And firms are already successfully remotely supervising outsourced jobs and third-party vendors. FINRA, the SEC, and other financial regulators have embraced remote work, remote supervision, and remote inspections for their own needs.

## **Conclusion**

The BDA appreciates the MSRB’s efforts to modernize Rule G-27 through the proposed definition of "Structuring" and the extension of the business-day exclusion for remote locations. However, we urge the Board to recognize that technology has fundamentally decoupled supervision from physical geography. By adopting a more flexible, technology-centered approach—particularly for the supervision of Traders—the Board can eliminate antiquated inefficiencies while maintaining the high standards of compliance and protection that the market requires. We look forward to continuing this dialogue as the Board adapts its regulatory framework to the digital age.

Sincerely,



Michael Decker  
Senior Vice President, Research and Public Policy

**Peg Henry PLLC<sup>1</sup>**

March 6, 2026

**VIA ELECTRONIC SUBMISSION**

Ronald W. Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1300 I Street NW, Suite 1000  
Washington, DC 20005

**Re: MSRB Notice 2026-01 – Request for Comment on MSRB Rule G-27 on Dealer Supervision**

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Dear Mr. Smith:

I appreciate the opportunity to comment on MSRB Notice 2026-01 (the “Notice”).<sup>2</sup>

The Notice provides useful clarity on the definition of “structuring,” as that term is used in MSRB Rule G-27(g)(i) (“office of municipal supervisory jurisdiction” or “OMSJ”). At the same time, that clarity highlights the fact that the very term “office of municipal supervisory jurisdiction” or “OMSJ” is an anachronism that should be eliminated.

By process of elimination from the defined term “excluded public finance activities,” the term “structuring” is deemed to 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.”<sup>3</sup>

When read in conjunction with MSRB Rule G-27 Supplementary Material .06, it appears that an individual with a Series 53 supervisory license may supervise “excluded public finance activities” from the supervisor’s primary residence, but may not engage in “structuring” from that residence. That suggests, for example, that the supervisor would need to go to the dealer’s office to sign a bond purchase agreement, which formally commits the underwriting firm to a municipal securities transaction.

If that is the MSRB’s intention, respectfully, that supervisory model is outdated as it pertains to public finance activities. The whole concept of “office of municipal supervisory

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<sup>1</sup> Peg Henry PLLC provides municipal securities legal consulting and expert witness services. Margaret C. (Peg) Henry is the sole member of Peg Henry PLLC.

<sup>2</sup> MSRB Notice 2026-01 (Jan. 14, 2026).

<sup>3</sup> MSRB Rule G-27 Supplementary Material .07.

jurisdiction” seems to have been developed by analogy to a retail brokerage system in which individual investors come to their brokers’ offices to receive advice on investments and to effect transactions. Even that retail brokerage system has been replaced in recent years by telephone and email. However, it has never applied to public finance banker activity. Public finance bankers go to their issuer clients, not the other way around.

There is certainly no supervisory benefit to be gained by requiring a bond purchase agreement to be signed in a dealer’s office, rather than a residence, when the signed bond purchase agreement will be scanned and emailed to the relevant parties. That can easily be done from the supervising banker’s residence. Indeed, that process can be accomplished from many settings, such as hotel guest business facilities, as long as an electronic record is maintained. Furthermore, the underwriting desk for the transaction may be in a completely separate location from the banker. Indeed, the supervising underwriter may be working from home as well. The efficacy of such a system of remote supervision was demonstrated during the COVID-19 pandemic, although its applicability to public finance bankers far preceded the pandemic.

MSRB Rule G-27(b) provides:

Each dealer shall 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 Board rules. Final responsibility for proper supervision shall rest with the dealer.

If a dealer is comfortable that it can maintain reasonable supervision of its public finance employees who work from home or other locations by, for example, electronic means such as telephone, Zoom, Teams, or WebEx, that should be the dealer’s prerogative. Some dealers may require their employees to work from the dealers’ offices. Their judgments as to which supervisory model to adopt will be evaluated during FINRA and SEC exams and, as needed, appropriate sanctions levied for failure to supervise.

I would like to address one statement in the Notice’s section on Economic Analysis. The MSRB suggests that eliminating the “office of municipal supervisory jurisdiction” from MSRB G-27 would be burdensome for dealers also subject to FINRA jurisdiction. I disagree. A dealer’s procedures may always dictate compliance with FINRA’s more burdensome supervisory rules. That imposes no cost on the dealer. The MSRB should eliminate its current burdensome OMSJ rule and encourage FINRA to make similar changes to its OSJ rule.

I realize that various market participants may provide more detailed comments on the various aspects of your proposals, but wanted to limit mine to remote

supervision by electronic means. My comments are provided in light of the MSRB's statements in the Notice that the proposals in the Notice are a "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." I hope that the MSRB will find my comments useful as it proceeds with the "next step" in its evaluation of remote municipal supervision.

Thank you for considering my comments. If a fuller discussion of my comments would be helpful, I can be reached at 202-579-6622 or [peghenryPLLC@outlook.com](mailto:peghenryPLLC@outlook.com).

Very truly yours,

A handwritten signature in blue ink that reads "Peg Henry". The signature is written in a cursive, flowing style.

Margaret C. (Peg) Henry  
Sole Member



March 16, 2026

**VIA ELECTRONIC SUBMISSION**

Ronald W. Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1300 I Street NW, Suite 1000  
Washington, DC 20005

**Re: MSRB Notice 2026-01 – Request for Comment on MSRB Rule G-27 on Dealer Supervision**

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Dear Mr. Smith,

SIFMA<sup>1</sup> appreciates this opportunity to provide input on MSRB Notice 2026-01<sup>2</sup>, and applauds the MSRB's forward-thinking efforts to modernize its rules to reduce undue compliance burdens on regulated entities while continuing to provide appropriate investor and issuer protections. In furtherance of this goal the MSRB should:

- eliminate all location-based concepts of supervision, recognizing that functional-based supervision comports with how business and supervision is conducted today and how regulators operate in the current electronic workplace;
- if that is not possible at this time,
  - approve the draft amendments that increase the length of the exclusion from the municipal branch office registration for locations other than a primary residence from 30 business days to 60 business days; and
  - approve, with our suggested edits, the draft amendments which clarify that the term “structuring” in the definition of “office of municipal supervisory jurisdiction” does not include “public finance activities.”

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<sup>1</sup> SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

<sup>2</sup> MSRB Notice 2026-01 (Jan. 14, 2026).

**I. The MSRB Should Eliminate All Location-Based Concepts of Supervision, Recognizing that Functional-Based Supervision Comports with How Business and Supervision is Conducted Today and how Regulators Operate in the Current Electronic Workplace**

SIFMA is very pleased the MSRB has taken the opportunity to review MSRB Rule G-27, on dealer supervision, considering the changes to the modern workplace.<sup>3</sup> SIFMA appreciates that the MSRB has begun to address some of the longstanding issues with Rule G-27. SIFMA thanks the MSRB for its creativity and feels strongly that this is a unique opportunity for the MSRB to make additional amendments to Rule G-27 so that the rule not only reflects how business and supervision is conducted today and how regulators operate in the current electronic workplace, but also positions the rule to cover inevitable future developments, including paperless workflows, around the clock trading cycles, and tokenized securities.

Rule G-27 was originally adopted when business was conducted in person, with paper documents, in offices that custodied cash and/or securities. All documents and processes are now electronic and moving to or have moved to cloud storage where they are not even stored in computer hardware at a work location. Physical securities no longer exist, and funds are moved electronically. The current supervision rule creates unwitting challenges, including requirements for there to be a supervisor in a “onesie” one-person office even though that supervisor has no supervisory capabilities because they cannot supervise themselves.

It is not lost on the industry that despite Rule G-27 having requirements for location-based supervisions, virtually all SEC and FINRA examinations since 2020 have been conducted in an effective manner either largely or completely electronically. If the regulators are able to effectively conduct remote examinations of broker-dealers and carry out other statutory obligations via fully remote or hybrid work arrangements, then broker-dealers should be able to effectively conduct remote supervision themselves.

Comparatively, MSRB Rule G-44, on supervisory and compliance obligations of municipal advisors, has no location-based supervision requirements. Municipal advisors have been able to effectively supervise their compliance with MSRB rules without location-based requirements since the adoption of Rule G-44. Further, if the SEC and FINRA can conduct effective examinations on municipal advisors who operate without regulatory burdens mandating location-based supervision, as they have for the past six years, then the SEC and FINRA should similarly be able to conduct effective examinations of broker-dealers without location-based supervision requirements.

SIFMA advocates for the elimination of the definition of an office of municipal supervisory jurisdiction (“OMSJ”). The OMSJ designation was originally intended for physical offices that

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<sup>3</sup> SIFMA also appreciates that FINRA is reviewing its rules on supervision in the modern workplace. *See also*, SIFMA letter on FINRA Regulatory Notice 25-07 (Jul. 14, 2025), <https://www.finra.org/sites/default/files/NoticeComment/SIFMA%20Comment%20on%20FINRA%20RN%2025-07%20%28July%2014%202025%29.pdf>.

maintained hard copy books and records and carried out supervisory functions through line-of-sight practices, relying on direct, over-the-shoulder oversight to detect potential violations or exceptions. At the time of the OMSJ implementation over 40 years ago, supervisors needed to be physically present in a shared work location to conduct effective supervision. This is no longer the case. Today, technology has removed the need for in-person supervision; rather, supervision is now primarily, and oftentimes exclusively, conducted through firm-wide, centralized, electronic networks that can be accessed by authorized employees with supervisory responsibilities and which provide real-time data regarding employee business activities. In today's workplace, it is not physical presence that enables effective supervision, it is authorized access to the systems which enable effective supervision, and that access is independent of physical location. As a result, the OMSJ designation is outdated. Further, maintaining the OMSJ designation is burdensome without contributing to the quality of overall supervision because it requires firms to devote significant resources to determine whether each remote work location constitutes an OMSJ.<sup>4</sup>

If the municipal securities broker-dealers are to remain competitive in the marketplace relating to the hiring and retaining of highly qualified employees, then we urge the MSRB to eliminate the OMSJ definition. Employers in many sectors of the economy, and other areas of financial services outside of municipal securities broker-dealers, now offer employment opportunities that are partially or completely remote, and that flexibility is very attractive to employees. For municipal securities broker-dealers to be able to attract and retain highly qualified employees, they need flexibility that the current rules do not permit.

If the MSRB does not entirely eliminate the OMSJ designation, in addition to the amendments addressing the definition of "structuring", we ask the MSRB to specifically consider that "order execution" and "market making" are typically conducted through centralized electronic systems and can be effectively surveilled and supervised from any location. At a minimum, the MSRB should allow individuals working from a non-branch office (including remote supervisory locations) to engage in order execution and market making, including order execution that occurs outside of business hours.

Eliminating location-based supervision or, at a minimum, approving the draft amendments, would create minimal burden for the broker-dealer community with the potential for significant operating efficiency. The MSRB's amendments would add needed clarity and create further opportunity for reductions in location-based rule burdens across the regulatory regime applicable to broker-dealers.

## **II. The MSRB Should Approve the Draft Amendments if it Feels it Cannot Provide Additional Relief at this Time**

Although this is a unique opportunity for the MSRB to make additional amendments to Rule G-27, SIFMA appreciates that it may not be possible at this time. Absent the ability to make

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<sup>4</sup> *Id.* These arguments follow those already made to FINRA.

further amendments at this time, the proposed amendments should be adopted taking into account the suggested amendments below.

**a. The MSRB Should Approve the Draft Amendments that Increase Length of the Exclusion from the Municipal Branch Office Registration for Locations Other than a Primary Residence from 30-Business Days to 60 Business Days.**

Barring further amendments, the MSRB should approve the draft amendments that increase the 30-business day exclusion from the municipal branch office registration for locations other than a primary residence to 60 days.<sup>5</sup> As stated above, SIFMA believes that Rule G-27 should not be location-based at all, but expanding this exclusion in any way is helpful to those that work remotely from locations other than their primary residence. The Notice puts forth that the MSRB considered a 120-day exclusion, and SIFMA members believe that is even more helpful than the increase to 60 days. For the reasons discussed above, SIFMA does not agree with the MSRB that such an additional expansion of the exclusion would reduce issuer and investor protections.

**b. The MSRB Should Approve the Draft Amendments Which Clarify that the Term “Structuring” in the Definition of “Office of Municipal Supervisory Jurisdiction” Does Not Include “Public Finance Activities.”**

The draft amendments clarify that the term “structuring of public offerings or private placements” in the definition of “office of municipal supervisory jurisdiction” does not include “public finance activities.” SIFMA believes that this amendment is a significant positive development which creates necessary added clarity and recognizes that public finance activities commonly occur at a client site, while traveling, or otherwise away from an OMSJ.

It is important for the MSRB rules to be neutral as to business model or structure. Broker-dealers operate under a variety of business models, structures and processes, many of which impact what is deemed “final approval” of a transaction by a broker-dealer. Proposed Supplementary Material .07 includes language that is unnecessarily prescriptive or potentially confusing.

Therefore, SIFMA proposes the following simplifications to the MSRB’s proposed language for Supplementary Material .07:

. 07 Excluded Public Finance Activities. Notwithstanding paragraph (g)(i)(B) of Rule G27, 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

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<sup>5</sup> If the MSRB cannot eliminate the OMSJ definition, Rule G-27 should treat a primary residence (or preferably, any private residence) the same as a location with a 30/60/120-day exclusion from municipal branch office registration, with the only difference being that a residence should not be time-limited (i.e., an associated person can perform covered activities every day of the year in his or her residence and the residence would not be considered a municipal branch office).

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 does not include final approval of a transaction. ~~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).~~

\* \* \*

Thank you for considering SIFMA's comments, and for being a thought-leader among regulatory bodies by envisioning rulemaking that reflects the modern workplace. If a fuller discussion of our comments would be helpful, I can be reached at (212) 313-1130 or lnorwood@sifma.org.

Sincerely,



Leslie M. Norwood  
Managing Director and Associate General Counsel  
Head of Municipal Securities

cc: ***Municipal Securities Rulemaking Board***  
Ernie Lanza, Chief Regulatory and Policy Officer

## **APPENDIX A**

### **QUESTIONS**

#### **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”?

SIFMA members believe that the final approval of a transaction by the broker-dealer is “structuring”.

2. What public finance functions should not fall under the category of “structuring of public offerings or private placements”?

SIFMA members believe that any activity related to a new issuance of municipal securities should fall not under the category of “structuring of public offerings or private placements,” except for the final approval of the transaction by the broker-dealer.

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?

Rule G-27 should not differentiate functions based on locations.

4. Is the industry clear on the definition of “structuring of public offerings or private placements”?

SIFMA members feel that the final approval of a transaction by a broker-dealer is the “structuring of public offerings or private placements.” Different broker-dealers may have different views and policies on what is deemed “final approval.”

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.

SIFMA members feel that the final approval of a transaction by a broker-dealer is the “structuring of public offerings or private placements”. Different broker-dealers may have different views and policies on what is deemed “final approval.

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?

The MSRB should eliminate any location-based supervision from Rule G-27 and avoid using the public finance banking and underwriting activities terminology. Firms generally understand what "final approval" means in their business model, and different firms have different internal processes for "final approval."

### **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?

Yes, if the MSRB cannot eliminate location-based supervision, the 30-business day exclusion from the branch office definition under Rule G-27(g)(ii)(A)(3) should 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)?

Yes, if the MSRB cannot eliminate location-based supervision, the 30-business day exclusion from the branch office definition under Rule G-27(g)(ii)(A)(3) should be extended to 120 business days per calendar year.

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?

Yes, the MSRB should allow 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)?

SIFMA believes that the MSRB should eliminate location-based supervision.

### **Rule G-27**

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?

Yes, the definition of municipal branch office needs to be updated or, more appropriately, eliminated. If the MSRB feels the need to retain the definition of municipal branch office, then the MSRB should refrain from defining “regularly” to provide flexibility for dealers implementing the rule. It would not be helpful for the MSRB to define regularly as three or more days per week.

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?

As described above, SIFMA believes that MSRB should take this opportunity to eliminate location-based supervision from Rule G-27. If the MSRB cannot eliminate the definition of OMSJ at this time, it should change the primary residence exception to a private residence exception and broaden as much as possible the permitted activities at these locations beyond those covered by the RSL-exception.<sup>6</sup> The MSRB rules should eliminate restrictions on employee work locations. Decisions regarding employee work locations should be determined by the broker-dealer employer, considering their business model and any reasonable supervisory policies and procedures.

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?

The Notice “seeks comments more broadly on additional areas of Rule G-27 that should be included in the MSRB’s retrospective rule review.” An area that is overdue for review and revision is G-27(f), which has highly prescriptive provisions regarding firms’ testing of written supervisory procedures and verifying that the procedures are effective. Among these provisions are detailed requirements for supervision of “producing managers.” These requirements were

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<sup>6</sup> As set forth in footnote 5, if the MSRB cannot eliminate the municipal office of supervisory jurisdiction definition, a primary (or preferably, private) residence and a location with a 30/60/120-day exclusion from municipal branch office registration should have the same status under the Rule, with the only difference being that a primary (private) residence is not time-limited (i.e., a {representative} can perform {municipal functions} every day of the year in his or her primary (private) residence and the primary (private) residence would not be considered a municipal branch office).

modeled on requirements in FINRA's supervision rule, yet FINRA recognized the benefits of a more flexible approach regarding supervision of managers and eliminated these requirements over ten years ago.<sup>7</sup> FINRA Rules 3110 and 3120 now have far less detail yet still address the need to properly supervise managers by requiring that procedures prohibit, for example, supervisors from supervising their own activities or reporting to or having their compensation determined by an individual that they supervise.<sup>8</sup> The MSRB should similarly adopt a more flexible approach to supervision of managers as well as the review and testing of procedures.

Also, as described above, SIFMA believes that MSRB should take this opportunity to eliminate location-based supervision from Rule G-27.

14. Should the MSRB consider retiring any current Rule G-27 interpretive guidance? Please be specific.

SIFMA members believe that the MSRB should consider updating or retiring a number of pieces of Rule G-27 interpretive guidance, including on the approval of transactions (<https://www.msrb.org/Review-and-Approval-Transactions-0> and <https://www.msrb.org/Review-and-Approval-Transactions>), municipal securities sales activities in branch affiliate and correspondent banks which are Municipal Securities Dealers (<https://www.msrb.org/Municipal-Securities-Sales-Activities-Branch-Affiliate-and-Correspondent-Banks-Which-Are-Municipal>), and the supervisory responsibility of Municipal Securities Principals and Municipal Securities Sales Principals (<https://www.msrb.org/Supervisory-Responsibility-Municipal-Securities-Principals-and-Municipal-Securities-Sales>).

### **Other**

15. Would the Draft Amendments result in a disproportionate and/or undue burden for small dealers?

No, the Draft Amendments would not result in a disproportionate and/or undue burden for small dealers.

16. Would the Draft Amendments negatively impact small dealers' access to business opportunities?

No, the Draft Amendments would not negatively impact small dealers' access to business opportunities.

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<sup>7</sup> See, FINRA Regulatory Notice 14-10 (Mar. 2014).

<sup>8</sup> See, FINRA Rule 3110(b)(6).

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

No, the Draft Amendments would not result in any inadvertent negative implications for dealers, investors or issuers, or marketplace fairness and efficiency more generally. On the contrary, the Draft Amendments would open up the possibility of other regulators harmonizing with more workable rules from the MSRB.