

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