

2022-02

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**Stakeholders**

Municipal Securities  
Dealers

**Notice Type**

Informational Notice

**Category**

Supervision

**Effective Date**

May 2, 2022

**Affected Rules**

[Rule G-27](#)

## MSRB Provides Additional Regulatory Relief During COVID-19 Pandemic by Further Extending the Temporary Timeframe for Remote Office Inspections

### Overview

The Municipal Securities Rulemaking Board (MSRB) filed a proposed rule change with the U.S. Securities and Exchange Commission (“SEC” or “Commission”)<sup>1</sup> to further extend regulatory relief on a temporary basis to brokers, dealers and municipal securities dealers (collectively “dealers”) in light of the operational challenges that persist due to the sustained coronavirus disease (“COVID-19” or “pandemic”).<sup>2</sup>

As part of the MSRB’s effort to continuously monitor the operational challenges that regulated entities are facing, the MSRB notes that dealers have delayed their return to office plans due to the protracted period of the pandemic and are considering, or have implemented, hybrid work arrangements dependent on functions and regulatory requirements. This transition has created logistical challenges for dealers in conducting in-person office inspections; to that end, the proposed rule change will provide a further extension of time for dealers to conduct office

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<sup>1</sup> File No. SR-MSRB-2022-01.

<sup>2</sup> The MSRB previously provided temporary regulatory relief to regulated entities for calendar year 2020, 2021 and for calendar year 2022 until June 30, 2022. See Release No. 34-88694 (April 20, 2020), 85 FR 23088 (April 24, 2020) (File No. SR-MSRB-2020-01); Release No. 34-90621 (December 9, 2020), 85 FR 81254 (December 15, 2020) (File No. SR-MSRB-2020-09) and Release No. 34-93435 (October 27, 2021), 86 FR 60522 (November 2, 2022) (File No. SR-MSRB-2021-06).



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inspections remotely, for calendar year 2022, until December 31, 2022.<sup>3</sup> The proposed rule change was filed for immediate effectiveness on March 1, 2022 and becomes operative on May 2, 2022.

The temporary relief provided by the MSRB is outlined below and does not extend beyond the identified rule and requirements.

## Summary of the Temporary Relief

The proposed rule change amends Supplementary Material .01, Temporary Relief for Completing Office Inspections, of MSRB Rule G-27, on Supervision, to extend the current regulatory relief provided to dealers for an additional six months – from June 30, 2022, to December 31, 2022. More specifically, dealers have the option to continue to conduct inspections of municipal offices of supervisory jurisdiction, branch offices or non-branch locations remotely, without the need to conduct an on-site visit to such offices or locations, for such inspections due to be conducted in calendar year 2022.<sup>4</sup> Dealers may continue to elect to satisfy their office inspection obligations by conducting the applicable inspections remotely, so long as such dealers:<sup>5</sup>

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

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

<sup>4</sup> The proposed rule change to Supplementary Material .01 aligns with similar regulatory relief provided by FINRA in its amendment to FINRA Rule 3110.17. See Release No. 34-94018 (January 20, 2022), 87 FR 4072 (January 26, 2022) (File No. SR-FINRA-2022-001).

<sup>5</sup> See paragraphs (b)-(d) of Supplementary Material .01 of MSRB Rule G-27.

locations for which the dealer determined to impose additional supervisory procedures or more frequent monitoring.

The MSRB believes extending the current regulatory relief and affording dealers the option to conduct office inspections remotely for the remainder of calendar year 2022, until December 31, 2022, is a prudent regulatory approach while continuing to serve the important investor protection objectives of the inspection requirements under these unique circumstances.<sup>6</sup>

Questions about this notice may be directed to Bri Joiner, Director, Regulatory Compliance and Gail Marshall, Chief Regulatory Officer at 202-838-1500.

March 01, 2022

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## Text of Proposed Amendments\*

### Rule G-27: Supervision

(a) – (g) No Change.

### Supplementary Material

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

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

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

\*Underlining indicates new language; strikethrough denotes deletions.

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

**(b)** No Change.

**(c)** No Change.

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

Supplementary Material .02 - .03 No Change.

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