

2021-14

**Publication Date**

October 26, 2021

**Stakeholders**

Municipal Securities  
Dealers

**Notice Type**

Informational Notice

**Effective Date**

October 26, 2021

**Category**

Supervision

**Affected Rules**

[Rule G-27](#)

## MSRB Provides Additional Regulatory Relief During COVID-19 Pandemic

### 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 additional 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 (“COVID-19”) pandemic.<sup>2</sup>

In a continued effort to afford regulated entities an opportunity to better manage and allocate resources, the proposed rule change will continue to allow dealers to conduct internal inspections remotely, subject to certain conditions, for calendar year 2022 until June 30, 2022. The proposed rule change was filed for immediate effectiveness on October 26, 2021.

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 provide a further extension of time for dealers to continue to conduct inspections of municipal offices of supervisory jurisdiction, branch offices or non-branch locations remotely, subject to

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<sup>1</sup> File No. SR-MSRB-2021-06.

<sup>2</sup> The MSRB provided temporary relief to regulated entities for calendar year 2020 and 2021. See Release No. 34-88694 (April 20, 2020), 85 FR 23088 (April 24, 2020) (File No. SR-MSRB-2020-01); and Release No. 34-90621 (December 9, 2020), 85 FR 81254 (December 15, 2020) (File No. SR-MSRB-2020-09).



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certain conditions, for calendar year 2022 until June 30, 2022, without the need to conduct an on-site visit to such offices or locations.<sup>3</sup> More specifically, dealers may elect to satisfy their internal inspection obligations by conducting the applicable inspections remotely, so long as such dealers:<sup>4</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; and
- (iii) make and maintain the required records related to remote office inspections.

The MSRB believes extending the relief and affording dealers the option to conduct remote inspections in calendar year 2022, until June 30, 2022, is a prudent regulatory approach while continuing to serve the important investor protection objectives of the inspection requirements under these unique circumstances.<sup>5</sup>

Questions about this notice may be directed to Gail Marshall, Chief Regulatory Officer; Bri Joiner, Director, Regulatory Compliance; or Mona Benach, Assistant Director, Market Regulation, at 202-838-1500.

October 26, 2021

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<sup>3</sup> The proposed rule change to Supplementary Material .01 is analogous to amendments to FINRA Rule 3110.17, which was filed on September 13, 2021, for immediate effectiveness. See Release No. 34-93002 (September 15, 2021), 86 FR 52508 (September 21, 2021) (File No. SR-FINRA-2021-023).

<sup>4</sup> Paragraphs (b) and (d) of Supplementary Material .01 of MSRB Rule G-27.

<sup>5</sup> 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 inspection obligations.

## 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; and 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. ~~The temporary relief provided by this Supplementary Material .01 does not extend to a dealer's inspection requirements beyond calendar year 2021.~~ 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. 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) **Written Supervisory Procedures for Remote Inspections.** Consistent with a dealer's obligation under subsection (c)(i) of this rule, a dealer that elects to conduct ~~each of its calendar year 2020 or calendar year 2021~~ inspections remotely for any of the calendar years specified in this supplementary material shall amend or supplement its 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. Reasonably designed procedures for conducting remote inspections of offices or locations should include, among other things: (1) a description of the methodology, including technologies permitted by the dealer, that may be used to conduct remote inspections; and (2) the use of other risk-based systems employed generally by the dealer to identify and prioritize for review those areas that pose the greatest risk of potential violations of applicable securities laws and regulations, and of applicable Board rules.

(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 ~~each of its calendar year 2020 or calendar year 2021~~

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\* Underlining indicates new language; strikethrough denotes deletions.

inspections remotely, shall make and maintain a centralized record for each of calendar years 2020 and calendar year 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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