

Required fields are shown with yellow backgrounds and asterisks.

Filing by Municipal Securities Rulemaking Board  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<input type="checkbox"/>

**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Proposed Rule Change to Provide Additional Regulatory Relief on a Temporary Basis to Dealers and Municipal Advisors Due to the Sustained Coronavirus (COVID-19) Pandemic

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \*  Last Name \*

Title \*

E-mail \*

Telephone \*  Fax

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,  
Municipal Securities Rulemaking Board  
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date  Corporate Secretary

By

(Name \*)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

## 1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act or Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> the Municipal Securities Rulemaking Board (“MSRB” or “Board”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to (i) amend Supplementary Material .01, Temporary Relief for Completing Office Inspections, of MSRB G-27, on supervision, to allow internal inspections of brokers, dealers and municipal securities dealers (collectively, “dealers”) to be conducted remotely, subject to certain conditions, for calendar year 2020 and calendar year 2021, without an on-site visit to the office or location; (ii) amend MSRB Rule G-16, on periodic compliance examinations, to add Supplementary Material .01, Temporary Relief for Completing Periodic Compliance Examination, to provide a temporary extension of time for registered securities associations<sup>3</sup> and appropriate regulatory agencies<sup>4</sup> (collectively, “examining authorities”) to initiate periodic examinations of dealers; (iii) amend Supplementary Material .09, Temporary Relief for Municipal Advisor Principal, of MSRB Rule G-3, on professional qualification requirements, to provide a further extension of time for those individuals who meet the definition of a municipal advisor principal<sup>5</sup> to become appropriately qualified by passing the Municipal Advisor Principal

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Section 15B(c)(7) of the Exchange Act provides that periodic examinations of municipal securities brokers and municipal securities dealers shall be conducted by a registered securities association, in the case of municipal securities brokers and municipal securities dealers that are members of such association. The Financial Industry Regulatory Authority (“FINRA”) is currently the only registered securities association. See 15 U.S.C. 78o-4(c)(7).

<sup>4</sup> Pursuant to Section 15B(c)(7) of the Exchange Act, municipal securities brokers and municipal securities dealers who are not members of a registered securities association shall be examined by their appropriate regulatory agency. The term “appropriate regulatory agency” when used with respect to municipal securities dealers means, in part, the Office of the Comptroller of the Currency (“OCC”), the Board of Governors of the Federal Reserve System (“FRB”), and the Federal Deposit Insurance Corporation (“FDIC”). See 15 U.S.C. 78c(a)(34)(A). The Commission also has the authority to examine all registered municipal securities dealers. See 15 U.S.C. 78q(b)(1).

<sup>5</sup> The term "municipal advisor principal" is defined in Rule G-3(e)(i) to mean a natural person associated with a municipal advisor who is qualified as a municipal advisor representative and is directly engaged in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons.

Qualification Examination (Series 54); and (iv) make a technical change to Supplementary Material .12, Temporary Relief for Municipal Advisor Continuing Education Requirements, of MSRB Rule G-3 to update a cross-reference (collectively the “proposed rule change”).

The MSRB has designated the proposed rule change as constituting a “noncontroversial” rule change under Section 19(b)(3)(A) <sup>6</sup> of the Act and Rule 19b-4(f)(6) <sup>7</sup> thereunder, which renders the proposal effective upon receipt of this filing by the Commission and has requested that the Commission waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so that the MSRB can implement the proposed rule change immediately.

(a) The text of the proposed rule change is included as Exhibit 5. Text proposed to be added is underlined, and text proposed to be deleted is enclosed in brackets.

(b) Not applicable.

(c) Not applicable.

## **2. Procedures of the Self-Regulatory Organization**

The Board approved the components of the proposed rule change at its meetings on April 22-23, 2020, October 21-22, 2020 and November 20, 2020. Questions concerning this filing may be directed to Gail Marshall, Chief Regulatory Officer; Bri Joiner, Director, Regulatory Compliance; or Lisa Wilhelmy, Assistant Director, Market Regulation, at 202-838-1500.

## **3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

(a) Purpose

In March of this year, the United States declared a national emergency in response to the coronavirus disease (“COVID-19”) pandemic.<sup>8</sup> In light of the operational challenges and disruptions to normal business functions as a result of COVID-19

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

<sup>8</sup> See The White House, “Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak,” (March 13, 2020) <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/#:~:text=On%20March%2011%2C%202020%2C%20the,and%20across%20the%20United%20States.>

pandemic, the MSRB filed a proposed rule change for immediate effectiveness with the SEC in April of this year that provided regulatory relief on a temporary basis to dealers and municipal advisors (collectively “regulated entities”). The MSRB stated it would continue to monitor the impact of COVID-19 and work in close coordination with other financial regulators and governmental authorities.<sup>9</sup>

The MSRB recognizes that a vast number of regulated entities are still operating under business continuity plans and continue to manage operations from alternate sites with employees working from diverse work locations and telework arrangements. The impacts of the COVID-19 pandemic persist and, in an effort to slow the spread of COVID-19, many states are continuing to impose stay-at-home orders, limitations on in-person interactions and travel restrictions. Due to the ongoing pandemic-related health and safety concerns and the operational challenges regulated entities continue to experience, the MSRB believes the additional tailored temporary relief provided in the proposed rule change is warranted.

#### Temporary Relief under Rule G-27 to Allow Remote Inspections for Calendar Year 2020 and Calendar Year 2021

With respect to Rule G-27, the April relief extended the deadline until March 31, 2021 for dealers to complete their calendar year 2020 inspections.<sup>10</sup> However, in light of the health and safety concerns coupled with the continued restrictions on social interactions and travel, the April relief is no longer sufficient. To help proactively address the challenges resulting from the sustained pandemic, the MSRB is proposing to amend temporary Supplementary Material .01 under Rule G-27, on supervision, to provide dealers, subject to specified requirements therein, the ability to conduct the inspections of their offices and locations for calendar year 2020 and calendar year 2021 remotely without the need to conduct an onsite visit to such office or location.<sup>11</sup>

The proposed amendment to Supplementary Material .01 would set forth that inspections are due to be completed by March 31, 2021 for calendar year 2020 and completed by December 31, 2021 for calendar year 2021, the requirement to amend or supplement written supervisory procedures for remote inspections, the use of remote inspections as part of an effective supervisory system, and documentation requirements.

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<sup>9</sup> See Release No. 34-88694 (April 20, 2020), 85 FR 23088 (April 24, 2020) (File No. SR-MSRB-2020-01) (“April relief”).

<sup>10</sup> Id.

<sup>11</sup> The proposed amendment to Supplementary Material .01 would be analogous to FINRA’s rule change, File No. SR-FINRA-2020-04, which was filed on November 6, 2020 and was effective upon filing. See Release No. 34-90454 (Nov. 6, 2020) <https://www.sec.gov/rules/sro/finra/2020/34-90454.pdf>.

The MSRB believes affording dealers the option to conduct remote inspections is a prudent regulatory approach during these unprecedented times while continuing to serve the important investor protection objectives of the inspection requirements under these unique circumstances. The temporary proposed supplementary material makes clear that it is not intended to alter a dealer's core responsibility, embodied in Rule G-27, to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to ensure compliance with Board rules and the applicable provisions of the Act and rules thereunder.

#### Temporary Relief under Rule G-16 to Extend the Time to Complete Periodic Compliance Examinations

MSRB Rule G-16, on periodic compliance examination, provides that at least once every four calendar years, each dealer that is a member of a registered securities association, must be examined by such registered securities association (i.e., FINRA); and at least once every two calendar years, each municipal securities dealer that is a bank or subsidiary or department or division of a bank must be examined by the appropriate regulatory agency (i.e., OCC, FRB, or FDIC), in accordance with Section 15B(c)(7) of the Exchange Act<sup>12</sup> for compliance with applicable rules of the Board and applicable provisions of the Act and rules and regulations of the Commission thereunder.

In an effort to provide examining authorities with an opportunity to better manage and allocate resources during these exigent circumstances; and in working with dealers as they manage operational challenges due to the pandemic, the MSRB is proposing to temporarily modify the date by which compliance examinations under Rule G-16 must be met. Specifically, the proposed rule change would deem any examination initiated between January 1, 2020 and March 31, 2021 to have occurred in calendar year 2020.

#### Temporary Relief under Rule G-3 to Extend Time to Complete Professional Qualification Requirements and Technical Amendment

In connection with the MSRB's April relief, the MSRB provided additional time to allow individuals to fulfill certain professional qualification standards under Rule G-3, on professional qualification requirements.<sup>13</sup> At that time, due to the uncertainty regarding ongoing stay-at-home orders and social distance restrictions that could impact capacity at Prometric testing centers,<sup>14</sup> the MSRB extended the date by which individuals

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<sup>12</sup> 15 U.S.C. 78o-4(b)(c)(7).

<sup>13</sup> See supra note 9.

<sup>14</sup> FINRA, as appointed by the Commission, provides test administration services to the MSRB for the delivery of MSRB-owned professional qualification examinations. See, e.g., Release No. 34-75714 (Aug. 17, 2015) (Designation of the Financial Industry Regulatory Authority to Administer Professional Qualification Tests for Associated Persons of Registered Municipal Advisors). FINRA uses Prometric as its single vendor for the delivery of the professional

are required to become qualified with the Series 54 examination from November 12, 2020 to March 31, 2021.<sup>15</sup> Given the protracted period of the COVID-19 pandemic, the MSRB is taking proactive measures and is proposing to amend Supplementary Material .09 of Rule G-3 to extend the time period from March 31, 2021 to November 12, 2021, by which individuals who meet the definition of a municipal advisor principal must become appropriately qualified by passing the Series 54 examination. This extension of time affords municipal advisors and individuals functioning as municipal advisor principals a full year from the sunseting of the original grace-period<sup>16</sup> to continue to engage in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons, so long as such persons are qualified with the Municipal Advisor Representative Qualification Examination (Series 50).

The proposed rule change also makes a technical amendment to Supplementary Material .12 under Rule G-3, providing for the temporary relief for municipal advisor continuing education requirements, by correcting the cross-reference under the provision from (i)(ii)(B)(2) to (i)(ii)(B).

(b) Statutory Basis

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qualification examinations that FINRA is charged with administering, including MSRB-owned professional qualification examinations.

<sup>15</sup> In the April relief, the MSRB provided temporary relief for dealers by permitting any individual qualified to function in the capacity as a municipal securities principal, municipal fund securities limited principal or a municipal securities sales principal additional time to engage in the principal activity before passing the applicable principal-level qualification examination. The April relief extended the requirement to 120 days from the time the MSRB announces that Prometric testing centers have resumed sufficient access to its testing centers. See Rules G-3(b)(ii)(D), G-3(b)(iv)(B)(4) and G-3(c)(ii)(D). The MSRB stated in the April relief that it would publish a notice on its website announcing when Prometric resumes operations in its testing centers, so regulated entities are on notice of when the 120-day period begins to toll. See supra note 9. The MSRB notes dealer firms are still covered under the April relief because, given the exigent circumstances surrounding the sustained pandemic, the MSRB has not yet announced when the obligation to take and pass the applicable principal examination must be completed.

<sup>16</sup> The MSRB had previously stated, to facilitate the transition to the new exam requirement, the MSRB was providing a one-year grace period, sunseting on November 12, 2020, during which individuals qualified with the Series 50 examination would be able to take the Series 54 examination while continuing to engage in principal-level activities. See Release No. 34-84630 (Nov. 20, 2018), 83 FR 60927 (Nov. 27, 2018) (File No. SR-MSRB-2018-07).

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Exchange Act,<sup>17</sup> which provides that the MSRB's rules shall:

be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

The proposed rule change is designed to provide regulated entities additional time to comply with certain obligations under MSRB rules for a temporary period of time; it does not relieve such entities from compliance with underlying obligations that directly serve to protect investors, municipal entities, obligated persons and the public interest or market transparency goals. In a time when faced with unique challenges resulting from the sustained pandemic, the proposed rule change will afford dealers, municipal advisors and the examining authorities the ability to safeguard the health and safety of their personnel and to more effectively allocate resources to serve and promote the protection of investors, municipal entities, obligated persons and the public interest. In addition, the proposed rule change will also alleviate some of the operational challenges these regulated entities may be experiencing, which will allow them to more effectively allocate resources to the provision of advice and the operations that facilitate transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products.

Additionally, the proposed rule change is consistent with Section 15B(b)(2)(E) of the Exchange Act,<sup>18</sup> which provides that the MSRB's rules shall provide:

for the periodic examination in accordance with subsection (c)(7) of this section of municipal securities brokers, municipal securities dealers, and municipal advisors to determine compliance with applicable provisions of this title, the rules and regulations thereunder, and the rules of the Board. Such rules shall specify the minimum scope and frequency of such examinations and shall be designed to avoid unnecessary regulatory

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<sup>17</sup> 15 U.S.C. 78o-4(b)(2)(C).

<sup>18</sup> 15 U.S.C. 78o-4(b)(2)(E).



duplication or undue regulatory burdens for any such municipal securities broker, municipal securities dealer, or municipal advisor.

Given the potential period of the pandemic and resulting persistent challenges to business operations, the proposed rule change provides examining authorities, not only with the ability to appropriately allocate their resources, but with a degree of flexibility to be responsive to the challenges dealers may face and minimize, to the extent possible, undue regulatory burdens, while not substantively altering examining authorities' obligations to examine for compliance with applicable rules of the Board and applicable provisions of the Act. The MSRB believes the temporary relief to provide for an extension of time for examining authorities to initiate periodic compliance examinations is not likely to, in isolation, create an investor protection harm given that, through risk assessments, dealers are prioritized and examined with a greater frequency than the timeline Rule G-16 allows.<sup>19</sup>

The MSRB believes that the proposed rule change is also consistent with Section 15B(b)(2)(A) of the Act,<sup>20</sup> which authorizes the MSRB to prescribe "standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors and municipal entities or obligated persons," in that those acting in the capacity of a municipal advisor principal would still be subject to the regulatory requirements under Rule G-3, including the requirement to be qualified with the Series 50 examination. Additionally, continuing to allow individuals to function in a principal capacity with the Series 50 for a period of time before having to pass the Series 54 examination, given this protracted period of the pandemic, provides individuals flexibility to prioritize safeguarding their health and safety and the proposed rule change is not inconsistent with the purpose of the grace period that the MSRB originally provided such professionals to qualify by the Series 54 examination, which is to minimize disruptions and to provide an orderly transition to the new qualification requirements.<sup>21</sup>

#### **4. Self-Regulatory Organization's Statement on Burden on Competition**

Section 15B(b)(2)(C) of the Act requires that MSRB rules be designed not to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.<sup>22</sup> The MSRB does not believe that the proposed rule change will

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<sup>19</sup> The MSRB stated in a filing made with the SEC, in 2011, that firms that are members of a registered securities association are risk-ranked based on an analysis of various identified risks and related factors. See Release No. 34-65992 (Dec. 16, 2011), 76 FR 79738 (Dec. 22, 2011) (File No. SR-MSRB-2011-19).

<sup>20</sup> 15 U.S.C. 78o-4(b)(2)(A).

<sup>21</sup> See Release No. 34-84630 (Nov. 20, 2018), 83 FR 60927 (Nov. 27, 2018) (File No. SR-MSRB-2018-07).

<sup>22</sup> 15 U.S.C. 78o-4(b)(2)(C).

impose any burden on competition not necessary or appropriate in furtherance of the Exchange Act. The goal of the proposed rule change is to provide temporary relief to grant additional time for regulated entities and the examining authorities to meet certain obligations under MSRB rules during the exigent circumstances of the COVID-19 pandemic but would not alter their underlying obligations under MSRB rules.

Additionally, Section 15B(b)(2)(L)(iv) of the Exchange Act, requires that MSRB rules not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons, provided that there is robust protection of investors against fraud.<sup>23</sup> The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(L)(iv) of the Exchange Act<sup>24</sup> in that, while the proposed rule change to extend the date by which individuals have to pass the Series 54 examination will affect all municipal advisors, including small municipal advisors, there is no new regulatory burden that results. Small municipal advisors typically have fewer associated persons and, as a result, their resources may be more limited during the pandemic and the benefits of the proposed rule change may provide smaller municipal advisors a greater benefit given their limited resources.

**5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

Written comments were neither solicited nor received on the proposed rule change.

**6. Extension of Time Period for Commission Action**

Not applicable.

**7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

The MSRB has designated the proposed rule change as being immediately effective upon filing pursuant to Section 19(b)(3)(A) of the Exchange Act<sup>25</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>26</sup> The proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In

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<sup>23</sup> 15 U.S.C. 78o-4(b)(2)(L)(iv).

<sup>24</sup> Id.

<sup>25</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>26</sup> 17 CFR 240.19b-4(f)(6).

accordance with Rule 19b-4(f)(6), the MSRB provided the SEC with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change.<sup>27</sup>

The MSRB requests that the Commission designate the proposed rule change operative upon filing as the proposed rule change does not significantly alter the substantive regulatory obligations regulated entities have under MSRB rules nor does it alter the responsibility of examining authorities to ensure dealers and their associated persons are in compliance with applicable rules of the Board and applicable provisions of the Act and rules and regulations of the Commission thereunder. Rather, the proposed rule change provides a temporary extension by which compliance obligations must be completed under certain MSRB rules. Moreover, the MSRB believes that the proposed rule change does not impose any significant burden on competition because the proposed rule change will provide a reasonable additional period of time or alternative means to comply with certain MSRB rules during this temporary period due to the exigent circumstances and the protracted period of the COVID-19 pandemic.

**8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

**9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervisions Act**

Not applicable.

**11. Exhibits**

- |           |   |
|-----------|---|
| Exhibit 1 | Completed Notice of Proposed Rule Change for Publication in the <u>Federal Register</u> |
| Exhibit 5 | Text of Proposed Rule Change  |

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<sup>27</sup>

Id.

SECURITIES AND EXCHANGE COMMISSION  
 (Release No. 34-\_\_\_\_\_ ; File No. SR-MSRB-2020-09)

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Provide Additional Regulatory Relief on a Temporary Basis to Dealers and Municipal Advisors Due to the Sustained Coronavirus (COVID-19) Pandemic

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on \_\_\_\_\_ the Municipal Securities Rulemaking Board (“MSRB”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The MSRB filed with the Commission a proposed rule change to (i) amend Supplementary Material .01, Temporary Relief for Completing Office Inspections, of MSRB G-27, on supervision, to allow internal inspections of brokers, dealers and municipal securities dealers (collectively, “dealers”) to be conducted remotely, subject to certain conditions, for calendar year 2020 and calendar year 2021, without an on-site visit to the office or location; (ii) amend MSRB Rule G-16, on periodic compliance examinations, to add Supplementary Material .01, Temporary Relief for Completing Periodic Compliance Examination, to provide a temporary

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

extension of time for registered securities associations<sup>3</sup> and appropriate regulatory agencies<sup>4</sup> (collectively, “examining authorities”) to initiate periodic examinations of dealers; (iii) amend Supplementary Material .09, Temporary Relief for Municipal Advisor Principal, of MSRB Rule G-3, on professional qualification requirements, to provide a further extension of time for those individuals who meet the definition of a municipal advisor principal<sup>5</sup> to become appropriately qualified by passing the Municipal Advisor Principal Qualification Examination (Series 54); and (iv) make a technical change to Supplementary Material .12, Temporary Relief for Municipal Advisor Continuing Education Requirements, of MSRB Rule G-3 to update a cross-reference (collectively the “proposed rule change”).

The MSRB has designated the proposed rule change as constituting a “noncontroversial” rule change under Section 19(b)(3)(A)<sup>6</sup> of the Act and Rule 19b-4(f)(6)<sup>7</sup> thereunder, which

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<sup>3</sup> Section 15B(c)(7) of the Exchange Act provides that periodic examinations of municipal securities brokers and municipal securities dealers shall be conducted by a registered securities association, in the case of municipal securities brokers and municipal securities dealers that are members of such association. The Financial Industry Regulatory Authority (“FINRA”) is currently the only registered securities association. See 15 U.S.C. 78q-4(c)(7).

<sup>4</sup> Pursuant to Section 15B(c)(7) of the Exchange Act, municipal securities brokers and municipal securities dealers who are not members of a registered securities association shall be examined by their appropriate regulatory agency. The term “appropriate regulatory agency” when used with respect to municipal securities dealers means, in part, the Office of the Comptroller of the Currency (“OCC”), the Board of Governors of the Federal Reserve System (“FRB”), and the Federal Deposit Insurance Corporation (“FDIC”). See 15 U.S.C. 78c(a)(34)(A). The Commission also has the authority to examine all registered municipal securities dealers. See 15 U.S.C. 78q(b)(1).

<sup>5</sup> The term "municipal advisor principal" is defined in Rule G-3(e)(i) to mean a natural person associated with a municipal advisor who is qualified as a municipal advisor representative and is directly engaged in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons.

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

renders the proposal effective upon receipt of this filing by the Commission and has requested that the Commission waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so that the MSRB can implement the proposed rule change immediately.

The text of the proposed rule change is available on the MSRB's website at [www.msrb.org/Rules-and-Interpretations/SEC-Filings/2020-Filings.aspx](http://www.msrb.org/Rules-and-Interpretations/SEC-Filings/2020-Filings.aspx), at the MSRB's principal office, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the MSRB included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The MSRB has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

In March of this year, the United States declared a national emergency in response to the coronavirus disease ("COVID-19") pandemic.<sup>8</sup> In light of the operational challenges and disruptions to normal business functions as a result of COVID-19 pandemic, the MSRB filed a

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<sup>8</sup> See The White House, "Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak," (March 13, 2020) <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/#:~:text=On%20March%2011%2C%202020%2C%20the,and%20across%20the%20United%20States.>

proposed rule change for immediate effectiveness with the SEC in April of this year that provided regulatory relief on a temporary basis to dealers and municipal advisors (collectively “regulated entities”). The MSRB stated it would continue to monitor the impact of COVID-19 and work in close coordination with other financial regulators and governmental authorities.<sup>9</sup>

The MSRB recognizes that a vast number of regulated entities are still operating under business continuity plans and continue to manage operations from alternate sites with employees working from diverse work locations and telework arrangements. The impacts of the COVID-19 pandemic persist and, in an effort to slow the spread of COVID-19, many states are continuing to impose stay-at-home orders, limitations on in-person interactions and travel restrictions. Due to the ongoing pandemic-related health and safety concerns and the operational challenges regulated entities continue to experience, the MSRB believes the additional tailored temporary relief provided in the proposed rule change is warranted.

Temporary Relief under Rule G-27 to Allow Remote Inspections for Calendar Year 2020 and Calendar Year 2021

With respect to Rule G-27, the April relief extended the deadline until March 31, 2021 for dealers to complete their calendar year 2020 inspections.<sup>10</sup> However, in light of the health and safety concerns coupled with the continued restrictions on social interactions and travel, the April relief is no longer sufficient. To help proactively address the challenges resulting from the sustained pandemic, the MSRB is proposing to amend temporary Supplementary Material .01 under Rule G-27, on supervision, to provide dealers, subject to specified requirements therein,

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<sup>9</sup> See Release No. 34-88694 (April 20, 2020), 85 FR 23088 (April 24, 2020) (File No. SR-MSRB-2020-01) (“April relief”).

<sup>10</sup> Id.

the ability to conduct the inspections of their offices and locations for calendar year 2020 and calendar year 2021 remotely without the need to conduct an onsite visit to such office or location.<sup>11</sup>

The proposed amendment to Supplementary Material .01 would set forth that inspections are due to be completed by March 31, 2021 for calendar year 2020 and completed by December 31, 2021 for calendar year 2021, the requirement to amend or supplement written supervisory procedures for remote inspections, the use of remote inspections as part of an effective supervisory system, and documentation requirements. The MSRB believes affording dealers the option to conduct remote inspections is a prudent regulatory approach during these unprecedented times while continuing to serve the important investor protection objectives of the inspection requirements under these unique circumstances. The temporary proposed supplementary material makes clear that it is not intended to alter a dealer's core responsibility, embodied in Rule G-27, to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to ensure compliance with Board rules and the applicable provisions of the Act and rules thereunder.

Temporary Relief under Rule G-16 to Extend the Time to Complete Periodic Compliance Examinations

MSRB Rule G-16, on periodic compliance examination, provides that at least once every four calendar years, each dealer that is a member of a registered securities association, must be examined by such registered securities association (*i.e.*, FINRA); and at least once every two

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<sup>11</sup> The proposed amendment to Supplementary Material .01 would be analogous to FINRA's rule change, File No. SR-FINRA-2020-04, which was filed on November 6, 2020 and was effective upon filing. See Release No. 34-90454 (Nov. 6, 2020) <https://www.sec.gov/rules/sro/finra/2020/34-90454.pdf>.



calendar years, each municipal securities dealer that is a bank or subsidiary or department or division of a bank must be examined by the appropriate regulatory agency (i.e., OCC, FRB, or FDIC), in accordance with Section 15B(c)(7) of the Exchange Act<sup>12</sup> for compliance with applicable rules of the Board and applicable provisions of the Act and rules and regulations of the Commission thereunder.

In an effort to provide examining authorities with an opportunity to better manage and allocate resources during these exigent circumstances; and in working with dealers as they manage operational challenges due to the pandemic, the MSRB is proposing to temporarily modify the date by which compliance examinations under Rule G-16 must be met. Specifically, the proposed rule change would deem any examination initiated between January 1, 2020 and March 31, 2021 to have occurred in calendar year 2020.

Temporary Relief under Rule G-3 to Extend Time to Complete Professional Qualification Requirements and Technical Amendment

In connection with the MSRB's April relief, the MSRB provided additional time to allow individuals to fulfill certain professional qualification standards under Rule G-3, on professional qualification requirements.<sup>13</sup> At that time, due to the uncertainty regarding ongoing stay-at-home orders and social distance restrictions that could impact capacity at Prometric testing centers,<sup>14</sup>

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<sup>12</sup> 15 U.S.C. 78o-4(b)(c)(7).

<sup>13</sup> See supra note 9.

<sup>14</sup> FINRA, as appointed by the Commission, provides test administration services to the MSRB for the delivery of MSRB-owned professional qualification examinations. See, e.g., Release No. 34-75714 (Aug. 17, 2015) (Designation of the Financial Industry Regulatory Authority to Administer Professional Qualification Tests for Associated Persons of Registered Municipal Advisors). FINRA uses Prometric as its single vendor for the delivery of the professional qualification examinations that FINRA is charged with administering, including MSRB-owned professional qualification examinations.

the MSRB extended the date by which individuals are required to become qualified with the Series 54 examination from November 12, 2020 to March 31, 2021.<sup>15</sup> Given the protracted period of the COVID-19 pandemic, the MSRB is taking proactive measures and is proposing to amend Supplementary Material .09 of Rule G-3 to extend the time period from March 31, 2021 to November 12, 2021, by which individuals who meet the definition of a municipal advisor principal must become appropriately qualified by passing the Series 54 examination. This extension of time affords municipal advisors and individuals functioning as municipal advisor principals a full year from the sunseting of the original grace-period<sup>16</sup> to continue to engage in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons, so long as such persons are qualified with the Municipal Advisor Representative Qualification Examination (Series 50).

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<sup>15</sup> In the April relief, the MSRB provided temporary relief for dealers by permitting any individual qualified to function in the capacity as a municipal securities principal, municipal fund securities limited principal or a municipal securities sales principal additional time to engage in the principal activity before passing the applicable principal-level qualification examination. The April relief extended the requirement to 120 days from the time the MSRB announces that Prometric testing centers have resumed sufficient access to its testing centers. See Rules G-3(b)(ii)(D), G-3(b)(iv)(B)(4) and G-3(c)(ii)(D). The MSRB stated in the April relief that it would publish a notice on its website announcing when Prometric resumes operations in its testing centers, so regulated entities are on notice of when the 120-day period begins to toll. See supra note 9. The MSRB notes dealer firms are still covered under the April relief because, given the exigent circumstances surrounding the sustained pandemic, the MSRB has not yet announced when the obligation to take and pass the applicable principal examination must be completed.

<sup>16</sup> The MSRB had previously stated, to facilitate the transition to the new exam requirement, the MSRB was providing a one-year grace period, sunseting on November 12, 2020, during which individuals qualified with the Series 50 examination would be able to take the Series 54 examination while continuing to engage in principal-level activities. See Release No. 34-84630 (Nov. 20, 2018), 83 FR 60927 (Nov. 27, 2018) (File No. SR-MSRB-2018-07).

The proposed rule change also makes a technical amendment to Supplementary Material .12 under Rule G-3, providing for the temporary relief for municipal advisor continuing education requirements, by correcting the cross-reference under the provision from (i)(ii)(B)(2) to (i)(ii)(B).

## 2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Exchange Act,<sup>17</sup> which provides that the MSRB's rules shall:

be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

The proposed rule change is designed to provide regulated entities additional time to comply with certain obligations under MSRB rules for a temporary period of time; it does not relieve such entities from compliance with underlying obligations that directly serve to protect investors, municipal entities, obligated persons and the public interest or market transparency goals. In a time when faced with unique challenges resulting from the sustained pandemic, the proposed rule change will afford dealers, municipal advisors and the examining authorities the ability to safeguard the health and safety of their personnel and to more effectively allocate resources to serve and promote the protection of investors, municipal entities, obligated persons and the public interest. In addition, the proposed rule change will also alleviate some of the operational challenges these

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<sup>17</sup> 15 U.S.C. 78o-4(b)(2)(C).

regulated entities may be experiencing, which will allow them to more effectively allocate resources to the provision of advice and the operations that facilitate transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products.

Additionally, the proposed rule change is consistent with Section 15B(b)(2)(E) of the Exchange Act,<sup>18</sup> which provides that the MSRB's rules shall provide:

for the periodic examination in accordance with subsection (c)(7) of this section of municipal securities brokers, municipal securities dealers, and municipal advisors to determine compliance with applicable provisions of this title, the rules and regulations thereunder, and the rules of the Board. Such rules shall specify the minimum scope and frequency of such examinations and shall be designed to avoid unnecessary regulatory duplication or undue regulatory burdens for any such municipal securities broker, municipal securities dealer, or municipal advisor.

Given the potential period of the pandemic and resulting persistent challenges to business operations, the proposed rule change provides examining authorities, not only with the ability to appropriately allocate their resources, but with a degree of flexibility to be responsive to the challenges dealers may face and minimize, to the extent possible, undue regulatory burdens, while not substantively altering examining authorities' obligations to examine for compliance with applicable rules of the Board and applicable provisions of the Act. The MSRB believes the temporary relief to provide for an extension of time for examining authorities to initiate periodic compliance examinations is not likely to, in isolation, create an investor protection harm given

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<sup>18</sup> 15 U.S.C. 78o-4(b)(2)(E).

that, through risk assessments, dealers are prioritized and examined with a greater frequency than the timeline Rule G-16 allows.<sup>19</sup>

The MSRB believes that the proposed rule change is also consistent with Section 15B(b)(2)(A) of the Act,<sup>20</sup> which authorizes the MSRB to prescribe “standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors and municipal entities or obligated persons,” in that those acting in the capacity of a municipal advisor principal would still be subject to the regulatory requirements under Rule G-3, including the requirement to be qualified with the Series 50 examination. Additionally, continuing to allow individuals to function in a principal capacity with the Series 50 for a period of time before having to pass the Series 54 examination, given this protracted period of the pandemic, provides individuals flexibility to prioritize safeguarding their health and safety and the proposed rule change is not inconsistent with the purpose of the grace period that the MSRB originally provided such professionals to qualify by the Series 54 examination, which is to minimize disruptions and to provide an orderly transition to the new qualification requirements.<sup>21</sup>

B. Self-Regulatory Organization’s Statement on Burden on Competition

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<sup>19</sup> The MSRB stated in a filing made with the SEC, in 2011, that firms that are members of a registered securities association are risk-ranked based on an analysis of various identified risks and related factors. See Release No. 34-65992 (Dec. 16, 2011), 76 FR 79738 (Dec. 22, 2011) (File No. SR-MSRB-2011-19).

<sup>20</sup> 15 U.S.C. 78o-4(b)(2)(A).

<sup>21</sup> See Release No. 34-84630 (Nov. 20, 2018), 83 FR 60927 (Nov. 27, 2018) (File No. SR-MSRB-2018-07).

Section 15B(b)(2)(C) of the Act requires that MSRB rules be designed not to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.<sup>22</sup> The MSRB does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the Exchange Act. The goal of the proposed rule change is to provide temporary relief to grant additional time for regulated entities and the examining authorities to meet certain obligations under MSRB rules during the exigent circumstances of the COVID-19 pandemic but would not alter their underlying obligations under MSRB rules.

Additionally, Section 15B(b)(2)(L)(iv) of the Exchange Act, requires that MSRB rules not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons, provided that there is robust protection of investors against fraud.<sup>23</sup> The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(L)(iv) of the Exchange Act<sup>24</sup> in that, while the proposed rule change to extend the date by which individuals have to pass the Series 54 examination will affect all municipal advisors, including small municipal advisors, there is no new regulatory burden that results. Small municipal advisors typically have fewer associated persons and, as a result, their resources may be more limited during the pandemic and the benefits of the proposed rule change may provide smaller municipal advisors a greater benefit given their limited resources.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

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<sup>22</sup> 15 U.S.C. 78o-4(b)(2)(C).

<sup>23</sup> 15 U.S.C. 78o-4(b)(2)(L)(iv).

<sup>24</sup> Id.

Written comments were neither solicited nor received on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Exchange Act<sup>25</sup> and Rule 19b-4(f)(6)<sup>26</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MSRB-2020-09 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-MSRB-2020-09. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

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<sup>25</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>26</sup> 17 CFR 240.19b-4(f)(6).

comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of the MSRB. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2020-09 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, pursuant to delegated authority.<sup>27</sup>

Secretary

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<sup>27</sup> 17 CFR 200.30-3(a)(12).



**Rule G-3: Professional Qualification Requirements**

(a) – (i) No change.

Supplementary Materials .01 - .08 No change.

**.09 Temporary Relief for Municipal Advisor Principal.** Notwithstanding the requirements of subsection (e)(ii)(A)(2) of this rule, any person who is qualified as a municipal advisor representative pursuant to subsection (d)(ii)(A) of this rule may be designated a municipal advisor principal, as that term is defined under subsection (e)(i) of this rule, provided however that each such person shall be required to take and pass the Municipal Advisor Principal Qualification Examination on or before [March 31, 2021] November 12, 2021.

Supplementary Materials .10 - .11 No change.

**.12 Temporary Relief for Municipal Advisor Continuing Education Requirements.** Each municipal advisor shall be deemed to have satisfied its Continuing Education obligations for calendar year 2020 if the standards under [of] subsection (i)(ii)(B)[(2)] of this rule are completed on or before March 31, 2021.

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**Rule G-16: Periodic Compliance Examination**

No change.

**Supplementary Material .01 Temporary Relief for Completing Periodic Compliance Examinations.** Notwithstanding the requirements of this rule, a periodic compliance examination of any broker, dealer and municipal securities dealer shall be deemed to have occurred in calendar year 2020 if the initiation of such examination(s) occurs any time between January 1, 2020 and March 31, 2021.

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**Rule G-27: Supervision**

(a) – (g) No change.

**Supplementary Material .01 Temporary Relief [for Completing Office Inspections] to Allow Remote Inspections for Calendar Year 2020 and Calendar Year 2021.**

**(a)** Each dealer obligated to complete an inspection of an office of municipal supervisory jurisdiction, branch office or non-branch location in calendar year 2020 and calendar year 2021 pursuant to, as applicable, subsection (d)(i)(A), (B) and (C) of this rule, [shall be deemed to have satisfied such obligation if the applicable inspection(s) are completed on or before March 31, 2021.] 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 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 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) Effective Supervisory System.** The requirement to conduct inspections of offices and locations is one part of the dealer's overall obligation to establish and maintain a supervisory system as prescribed under paragraph (b) of this rule and therefore, the dealer must continue with its ongoing review of the activities and functions occurring at all offices and locations, whether or not the dealer conducts inspections remotely. Where a dealer's remote inspection of an office or location identifies any signs of irregularities or misconduct (i.e., "red flags"), the dealer may need to impose additional supervisory procedures for that office or location or may need to provide for more frequent monitoring of that office or location. Such monitoring may include, potentially a subsequent physical on-site visit on an announced or unannounced basis, when the dealer's operational difficulties associated with COVID-19 subside, taking into account national or locality restrictions, as appropriate, and the other business challenges a dealer is facing in light of the public health and safety concerns, make such on-site visit(s) feasible using reasonable best efforts.

**(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 inspections remotely, shall make and maintain a centralized record for each of calendar year 2020 and calendar year 2021 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 Materials .02 - .03 No change

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