

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-93435; File No. SR-MSRB-2021-06)

October 27, 2021

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Further Extend the Regulatory Relief and Permit Dealers to Conduct Office Inspections Remotely until June 30, 2022, Pursuant to MSRB Rule G-27, on Supervision

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 26, 2021 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 amend Supplementary Material .01, Temporary Relief for Completing Office Inspections, of MSRB Rule G-27, on supervision, to further extend the regulatory relief and permit brokers, dealers and municipal securities dealers (collectively, “dealers”) to conduct office inspections, due to be completed during calendar year 2022, remotely until June 30, 2022 (the “proposed rule change”).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The MSRB has designated the proposed rule change as constituting a “noncontroversial” rule change under Section 19(b)(3)(A)³ of the Act and Rule 19b-4(f)(6)⁴ thereunder, which renders the proposal effective upon receipt of this filing by the Commission. The MSRB proposes an operative date of January 1, 2022.

The text of the proposed rule change is available on the MSRB’s website at www.msrb.org/Rules-and-Interpretations/SEC-Filings/2021-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

The MSRB continues to closely monitor the impact on municipal market participants resulting from the coronavirus disease (“COVID-19”) pandemic. In light of the operational challenges and disruptions to normal business functions as a result of the pandemic, the MSRB

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

previously filed a proposed rule change for immediate effectiveness with the SEC in April 2020⁵ and a second proposed rule change in December 2020⁶ (“April relief” and “December relief”). In connection with the April relief, the MSRB provided additional time for dealers to complete certain supervisory obligations, including, among other things, that office inspections due to be conducted during calendar year 2020 could be conducted by March 31, 2021, but with the expectation that dealers would conduct their inspections on-site. The December relief allowed dealers to conduct their office inspections remotely that were due to be completed by March 31, 2021, for calendar year 2020 and those for calendar year 2021, subject to certain conditions being met.

Through stakeholder engagement, the MSRB has learned that dealers have delayed their return to office plans due to the continued pandemic and are considering or have implemented hybrid work arrangements dependent on functions and regulatory requirements. To that end, in order to address ongoing industry-wide concerns regarding having to conduct in-person office inspections while safety concerns related to the pandemic persist⁷ and to align with pandemic-related regulatory relief provided by FINRA,⁸ the MSRB is proposing amendments to

⁵ See Exchange Act Release No. 88694 (April 20, 2020), 85 FR 23088 (April 24, 2020) (File No. SR-MSRB-2020-01).

⁶ See Exchange Act Release No. 90621 (December 9, 2020), 85 FR 81254 (December 15, 2020) (File No. SR-MSRB-2020-09).

⁷ See The Centers for Disease Control and Prevention (“CDC”), What You Need to Know about Variants (stating, in part, that “the Delta variant causes more infections and spreads faster than earlier forms of the virus that causes COVID-19”) available at <https://www.cdc.gov/coronavirus/2019-ncov/variants/variant.html> (updated September 3, 2021).

⁸ On September 13, 2021, FINRA made a filing with the SEC for immediate effectiveness, noting that while some firms have taken affirmative steps to develop and implement phased-in office re-entry plans based on local conditions, there are many other firms that

Supplementary Material .01 of MSRB Rule G-27. The proposed amendments to Supplementary Material .01 of MSRB Rule G-27 would allow dealers to satisfy their office inspection obligations by permitting dealers to conduct calendar year 2022 office inspections remotely until June 30, 2022, without the need to conduct an on-site visit to such office or location.⁹

The conditions required to be met for dealers to avail themselves of the option to conduct office inspections remotely remain unchanged; however, technical amendments are being proposed to paragraphs (b) and (d) to reflect the additional extension of time under the proposed rule change. Pursuant to paragraphs (b) and (d) of Supplementary Material .01 of MSRB Rule G-27, for dealers that elect to conduct their office inspections remotely, such dealers must (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 regulatory relief provided for under the proposed rule change will automatically sunset on June 30, 2022. During this time, the MSRB will continue to monitor the effectiveness of remote office inspections on dealers' overall supervisory systems and will consider more

have not. See Release No. 34-93002 (September 15, 2021), 86 FR 52508 (September 21, 2021) (File No. SR-FINRA-2021-023).

⁹ As previously noted, a temporary location established in response to the implementation of a business continuity plan is not deemed an office for purposes of complying with the office inspection obligations, under MSRB Rule G-27. See supra note 5.

long-term regulatory initiatives that align with and promote the evolving ways dealers are doing business and supervising the activities of the dealer and its associated persons.

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Exchange Act,¹⁰ 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 dealers additional time to comply with certain obligations under MSRB rules for a temporary period of time; it does not relieve dealers from compliance with their core regulatory obligations to establish and maintain a system to supervise the activities of each of its associated persons that is reasonably designed to achieve compliance with applicable rules and regulations, and with applicable MSRB rules, which directly serve to protect investors, municipal entities, obligated persons, and the public interest. 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.

In a time when faced with unique challenges resulting from the sustained pandemic, the proposed rule change will afford dealers the ability to safeguard the health and safety of their personnel and to more effectively allocate resources to serve and promote the protection of

¹⁰ 15 U.S.C. 78o-4(b)(2)(C).

investors, municipal entities, obligated persons and the public interest. In addition, the proposed rule change will also alleviate some of the operational challenges dealers may be experiencing, which will allow them to more effectively allocate resources to 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.

B. 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 that is not necessary or appropriate in furtherance of the purposes of the Act.¹¹ In fact, the MSRB does not believe the proposed rule change will have any burden on competition because the proposed rule change treats all dealers equally in that all dealers have the option to elect to conduct remote inspections remotely through June 30, 2022. The goal of the proposed rule change is to grant additional time for dealers to meet their office inspection obligations, under Supplementary Material .01 of Rule G-27, while also determining how to best implement their return to office plans in a safe and effective manner during the exigent circumstances of the COVID-19 pandemic. The temporary relief afforded does not alter dealers underlying obligations under the rule.

C. 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.

¹¹ Id.

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

Because the foregoing 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, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹² and Rule 19b-4(f)(6)¹³ 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. Please include File Number SR-MSRB-2021-06 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MSRB-2021-06. This file number should be

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

included on the subject line if e-mail is used. To help the Commission process and review your 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-2021-06 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Office of Municipal Securities, pursuant to delegated authority.¹⁴

J. Matthew DeLesDernier
Assistant Secretary

¹⁴ 17 CFR 200.30-3a(a)(2).