

EXHIBIT 5**Rule G-27: Supervision**

(a) - (g) No Change.

Supplementary Material

.01 - .03 No Change.

.04 Reserved.

.05 Remote Inspections Pilot Program

(a) Scope. This Supplementary Material establishes the standards by which a dealer may participate in the Remote Inspections Pilot Program of a registered securities association of which it is a member ("Pilot Program") with respect to the required inspection of offices of municipal supervisory jurisdiction, municipal branch offices and non-branch locations by dealers pursuant to paragraphs (d)(i)(A), (B) and (C) of Rule G-27. This Supplementary Material shall cover the required inspections of such offices or locations for a period of three years starting on July 1, 2024 and expiring on June 30, 2027 ("Pilot Period"). If this Supplementary Material is not amended to allow dealers to continue to participate in the Pilot Program with respect to their municipal securities activities should a registered securities association extend the Pilot Period or make permanent the Pilot Program, this Supplementary Material will automatically sunset on June 30, 2027, after which dealers will not be able to participate in the Pilot Program with respect to their municipal securities activities.

(b) Risk Assessment

(1) Review Standards. Subject to the requirements of this Supplementary Material, each dealer obligated to conduct an inspection of an office or location during the Pilot Period pursuant to, as applicable, paragraphs (d)(i)(A), (B) or (C) of Rule G-27, may elect to conduct the applicable inspection remotely, without an on-site visit for an office or location, when a dealer reasonably determines that the purposes of this Supplementary Material can be accomplished by conducting such required inspection remotely. Prior to electing a remote inspection for an office or location, rather than an on-site inspection, a dealer must first develop a reasonable risk-based approach to using remote inspections, and conduct and document a risk assessment for that office or location. The assessment must document the factors considered, including, among other things, the dealer's size, organizational structure, scope of business activities, number and location of the dealer's offices, the nature and complexity of the products and services offered by the dealer, the volume of business done, the number of associated persons assigned to a location, the disciplinary history of municipal securities representatives or associated persons, and any indicators of irregularities or misconduct (i.e., "red flags"), and must take into account any higher-risk activities that take place at, or higher-risk associated persons that are assigned to, that office or location. A dealer or its office or

location that is ineligible for remote inspections, pursuant to paragraph (c) of this Supplementary Material, must conduct an on-site inspection of that office or location on the applicable schedule under section (d) of Rule G-27. Notwithstanding this Supplementary Material, a dealer shall remain subject to the other requirements of section (d) of Rule G-27.

(2) Other Risk Assessment Factors. In conducting the risk assessment of each office or location in accordance with paragraph (b)(1) of this Supplementary Material, a dealer shall consider, among other things, the following factors in making its risk assessment for remotely inspecting an office or location:

- (A) the volume and nature of customer complaints;
- (B) the volume and nature of outside business activities, particularly investment-related;
- (C) the volume and complexity of products offered;
- (D) the nature of the customer base, including vulnerable adult investors;
- (E) whether associated persons are subject to heightened supervision;
- (F) failures by associated persons to comply with the dealer's written supervisory procedures; and
- (G) any recordkeeping violations.

In addition, dealers should conduct on-site inspections or make more frequent use of unannounced, on-site inspections for high-risk offices or locations, or where there are red flags, and supervisory systems must take into consideration any red flags when determining whether to conduct a remote inspection of an office or location.

(c) Eligibility Exclusions and Conditions

(1) Firm-Level Requirements

- (A) With respect to firm-level requirements, a dealer shall not be eligible to conduct remote inspections of any of its offices or locations in accordance with this Supplementary Material if (i) the dealer is not a member of a registered securities association or (ii) at any time during the Pilot Period such dealer becomes ineligible to conduct remote inspections under the prescribed firm-level ineligibility criteria of such registered securities association.

(B) During the period that a dealer is participating in the Pilot Program, the dealer must satisfy the following conditions to be eligible to conduct remote inspections of any of its offices or locations in accordance with this Supplementary Material:

(i) Recordkeeping System.

(a) The dealer must have a recordkeeping system to make, maintain, and preserve such records required to be made, maintained and preserved under applicable securities laws and regulations, including applicable Board rules, and the dealer's written supervisory procedures under Rule G-27(c);

(b) The records must not be physically or electronically maintained and preserved at the office or location subject to the remote inspection; and

(c) The dealer must have prompt access to any records made by an office or location participating in the Pilot Program.

(ii) Surveillance and Technology Tools. The dealer must determine that its surveillance and technology tools are appropriate to supervise the types of risks presented by each such remotely supervised office or location. The tools may include but are not limited to:

(a) firm-wide tools such as electronic recordkeeping systems, electronic surveillance of e-mail and correspondence, electronic trade blotters, regular activity-based sampling reviews and tools for visual inspections;

(b) tools specifically applied to such office or location based on the activities of associated persons, products offered, restrictions on the activity of the office or location (including holding out to customers and handling of customer funds or securities); and

(c) system security tools such as secure network connections and effective cybersecurity protocols.

(2) Office or Location Requirements

(A) With respect to office or location requirements, a dealer shall not be eligible to conduct remote inspections of any office or location in

accordance with this Supplementary Material if at any time during the Pilot Period such office or location becomes ineligible for remote inspection under the prescribed location-level eligibility criteria of a registered securities association of which it is a member.

(B) As part of the requirement to develop a reasonably designed risk-based approach to using remote inspections, and the requirement to conduct and document a risk assessment, during the period that a dealer is participating in the Pilot Program, a specific office or location of the dealer must satisfy the following conditions to be eligible for remote inspections in accordance with this Supplementary Material:

(i) electronic communications (e.g., e-mail) are made through the dealer's electronic system;

(ii) the associated person's correspondence and communications with the public are subject to the dealer's supervision in accordance with Rule G-27(e); and

(iii) no books or records of the dealer required to be made, maintained, and preserved under applicable securities laws and regulations, including applicable Board rules, and the dealer's own written supervisory procedures under Rule G-27(c) are physically or electronically maintained and preserved at such office or location.

(d) Written Supervisory Procedures for Remote Inspections. Consistent with a dealer's obligation under Rule G-27(c), a dealer that elects to participate in the Pilot Program must establish, maintain, and enforce written supervisory procedures regarding remote inspections that are reasonably designed to detect and prevent violations of, and achieve compliance with, applicable securities laws and regulations, including applicable Board rules. Reasonably designed procedures for conducting remote inspections of offices or locations must address, among other things:

(1) the methodology, including technology, that may be used to conduct remote inspections;

(2) the factors considered in the risk assessment made for each applicable office or location pursuant to paragraph (b) of this Supplementary Material; and

(3) 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, including applicable Board rules.

(e) Effective Supervisory System. The requirement to conduct inspections of offices and locations is one part of the dealer's overall obligation to have an effective supervisory system. Therefore, the dealer must maintain its ongoing review of the activities and functions occurring at all offices and locations, whether or not the dealer conducts inspections remotely. A dealer's use of remote inspection of an office or location will be subject to the same standards for review as for other offices or locations under Rule G-27 in addition to the standard set forth in this Supplementary Material. Where a dealer's remote inspection of an office or location identifies any 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, including potentially a subsequent on-site visit on an announced or unannounced basis.

(f) Documentation Requirement. A dealer must maintain and preserve a centralized record for each period constituting a Pilot Year, within the meaning of the Pilot Program and as defined by a registered securities association. The record must separately identify:

(1) all offices or locations that were inspected remotely; and

(2) any offices or locations for which the dealer determined to impose additional supervisory procedures or more frequent monitoring, as provided in paragraph (e) of this Supplementary Material. 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, including whether an on-site inspection was conducted at such office or location.

(g) Data and Information Collection Requirement. Dealers that elect to participate in the Pilot Program and are not excluded under any of the firm-level requirements under paragraph (c)(1) of this Supplementary Material must comply with the requirements of a registered securities association, of which they are a member, with respect to the collection and submission of specified data and information, and in the manner and format determined by the registered securities association.

Such dealers shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with any specified data and information collection, and transmission requirements prescribed by a registered securities association of which they are a member.

(h) Election to Participate in Remote Inspections Pilot Program. Dealers eligible for participation in the Pilot Program by not having been excluded under any of the firm-level requirements under paragraph (c)(1) of this Supplementary Material shall make their election, in the manner and format as prescribed by a registered securities association, of which they are a member, to participate in the Pilot Program in accordance with this Supplementary Material. Dealers that elect to withdraw from subsequent Pilot Years (i.e., Pilot Year 2, Pilot Year 3, and Pilot Year 4, if applicable) shall withdraw in the manner and format as prescribed by a registered securities association of which they are a member.

(i) Failure to Satisfy Conditions. A dealer that fails to satisfy the conditions of this Supplementary Material, including the requirements specified by a registered securities association of which it is a member, related to the timely collection and submission of data and information shall be ineligible to participate in the Pilot Program with respect to its municipal securities activities and must conduct on-site inspections of each office and location on the required cycle in accordance with Rule G-27(d).