

BERNARDISECURITIES

MUNICIPAL BOND SPECIALISTS

May 24, 2019

Mr. Ronald W. Smith,
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Re: COMMENT LETTER to MSRB Regulatory Notice 2019-08

On behalf of Bernardi Securities, Inc. ("Bernardi" or the "Firm"), we are pleased to submit this letter in response to the MSRB's Regulatory Notice 2019-08 (the "Notice"): Request for Comment on MSRB Rule G-34 Obligation of Municipal Advisors to Apply for CUSIP Numbers When Advising on Competitive Sales.

Bernardi is a broker dealer whose principal business focuses on the municipal bond market. Our Firm is an active participant in competitively bidding and underwriting bond issues nationwide. In calendar year 2018 we underwrote \$195 million (66 distinct transactions) as sole manager and served as a co-manager on issues totaling \$1.890 billion. When serving in an underwriting capacity, our principal bond distribution network is to institutional and retail investors.

In response to the questions posed in MSRB Notice 2019-08:

1. It is beneficial to the market for both dealer and non-dealer municipal advisors to make application for CUSIP numbers in connection with competitive sales of new issue securities as provided in Rule G-34(a). Eliminating this requirement for all municipal advisors would adversely affect the market.

We believe the genesis of the Rule is to make the municipal market more efficient and transparent. The assignment of CUSIP numbers for new issue underwritings is an important step in the underwriting process.

MSRB rule G-34 mandates that the underwriter shall transmit new issue information to NIDS no later than two business hours after the time of formal award by the issuer. The underwriter also must disseminate this information to Bloomberg and to the MSRB EMMA website.

Given issuers often make the formal award to an underwriter shortly after the time of sale, if the issuer's MA has not secured CUSIPS in advance then the winning underwriter is required to immediately apply for CUSIP numbers to ensure compliance within the two hour deadline under G-34. Although this process is not complicated it does often distract us from subsequently bidding on other issues on days when the new issue calendar is robust. The regulatory timeline

submission deadline coupled with a non-existent CUSIP base for an issue we bought has resulted in our Firm NOT submitting bids on other competitive bid issues. This is especially true on days where we have bought several issues in a short window of time. This dynamic hurts market liquidity.

Additionally, the required express application to the CUSIP Service Bureau also comes at an additional cost (a 50% higher fee) versus a next day assignment. This places an additional monetary burden on underwriters which they presumably build into their bid. This add on cost is passed onto issuers in terms of higher underwriting spread.

Since the municipal advisor knows weeks in advance the date and details of the issue's sale (while the winning underwriter does not), the advisor has the ability to apply for CUSIPS in advance of the sale. Therefore, the current version of the Rule requiring the advisor to apply for CUSIPS should remain as it improves market efficiency, transparency and lowers issuer costs.

2. The rule should be implemented uniformly regardless of who is serving as the municipal advisor. If a goal is to make the market more efficient and transparent then all market participants should be subject to the Rule.
3. Please see earlier responses.
4. **The CUSIP requirement should add no additional financial costs to municipal advisors.** As it is currently stipulated in most, if not all, notices of sale, the CUSIP Service Bureau charge for the assignment of the CUSIP numbers shall be the responsibility of and shall be paid by the underwriter. The administrative task of applying for CUSIPS is not complicated or unduly burdensome particularly when completed in advance of the sale.
5. Once a dealer municipal advisor or a non-dealer advisor has established policies and procedures the process of applying for CUSIPS in advance of the sale is minimally burdensome.
6. Bernardi is not aware of any meaningful data given the Rule has been in effect for a very short period of time. We believe a retrospective review of this Rule is appropriate only after several years of data is available.
7. In our experience issuers do not apply for CUSIP numbers.
8. The CUSIP Service Bureau will bill the underwriter for fees related to obtaining CUSIP numbers if it is instructed to do so. In most instances, for issues we underwrite, this is the manner in which the CUSIP fee is handled.
9. Obtaining CUSIP numbers is a simple application process once the sale date for an issue has been established. For negotiated transactions we typically apply for CUSIPS in advance of the sale date minimizing any potential for creating tension. The same dynamic should apply for municipal advisors that apply for CUSIPS in competitive bid auctions.


10. N.A.

11. Bernardi is in favor of the Rule as currently written.

12. Please see above response.

Thank you for the opportunity to provide comments on this Rule. Feel free to contact us with any questions you might have

Sincerely,

A handwritten signature in black ink, appearing to read "Lou Lamberti". The signature is written in a cursive style with a prominent flourish at the end.

Lou Lamberti
Sr. Vice President

