Government Finance Officers Association
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June 30, 2017

Mr. Ronald Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street, N.W.
Washington, D.C. 20005

Re: MSRB Regulatory Notice 2017-11

Dear Mr. Smith:

The Government Finance Officers Associations ("GFOA") again appreciates the opportunity to comment on the Municipal Securities Rulemaking Board's (MSRB) revised proposal to amend Rule G-34 on obtaining CUSIPs. The GFOA represents over 19,000 members across the United States, many of whom issue municipal securities, and therefore is very interested in the MSRB's work.

As stated in our response to the Prior Notice[1], governments rely on the ability to engage in direct purchases for a variety of reasons, including better terms and lower borrowing costs than would occur when issuing bonds in the open market. This is especially true for smaller governments. Thus, GFOA opposes any regulatory action that would dissuade banks and investors from being interested in and making these direct placement purchases.

As a result of solicited comments of the Prior Notice, the MSRB proposes an exception for obtaining CUSIPs when it can be determined that the investor will likely not publicly trade the securities. This is a helpful step forward as we commented earlier this year that any impression of placing a CUSIP on a bank loan or direct placement could deter investors, and raise costs for state and local governments. However, our first concern still remains from the Prior Notice: Without clear language on how this exception can be easily met, the proposed amendment will dampen demand for bank loan and direct purchase financings entered into by state and local governments and authorities and therefore raise borrowing costs.

In order to alleviate this first concern, and to provide needed clarity in the rulemaking, we ask that the MSRB consider a recommendation provided by the American Bankers Association and other organizations regarding the updated proposal. The ABA suggests additional language be

[1] MSRB Notice number 2017-05, GFOA response: http://www.msrb.org/RFC/2017-05/GFOA.pdf

added to the rulemaking that **the investor will provide representation** of its intent to hold the securities to maturity or limit the resale of the bonds. This language would allow for all participants to rely on the investor's representation and will add certainty that CUSIPs are not assigned to these securities.

A second fundamental concern is that the exception does not include situations where local governments privately purchase government-issued notes. Also state revolving fund issuers make loans to local governments, which in turn issue bonds to evidence that debt. Governments should not be required to obtain CUSIP numbers for these types of investments which never enter the secondary market. Therefore, the exception should also include state and local government bonds purchased by other state and local governments with no intention to resell. The MSRB should review other comments submitted to this Notice on this point about other types of investors that should be covered by the exception.

A third practical concern with the exception regards the process of obtaining CUSIPs. We suggest that the MSRB review the CUSIP application and assignment process to ensure that CUSIPs would not be assigned to those securities where the exception is met. This exception will not provide any benefit in the case of competitive sales where CUSIPs are obtained in order to ensure compliance and in so doing could deter the potential bid of a private placement.

While the revised proposal aims to address key concerns that were raised by GFOA and other groups from the original proposal, we are still concerned that without the three changes outlined in this letter, the new rulemaking could continue to dampen demand for bank loan and direct purchase financings entered into by state and local governments and authorities and otherwise raise costs for state and local governments and authorities. If the concerns outlined in this letter are not comprehensively addressed, we would suggest that instead of seeking these changes to Rule G-34, the MSRB spend effort and resources enhancing the EMMA system with regard to bank loan information, and continue to work with the GFOA and other market participants to identify EMMA improvements that would accommodate the transactions being listed on an issuer's home page when Form G-32 is filed.

Thank you again for the opportunity to comment. Please feel free to contact me at ebrock@gfoa.org or (202) 393-8467 if you have any questions on or would like to discuss any of the information provided in this letter.

Sincerely,

Emily S. Brock

Emily Brock
Director, Federal Liaison Center