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Submitted Electronically

Re: MSRB – Second Request for Comment on Draft Amendments to and Clarifications of MSRB Rule G-34, on Obtaining CUSIP Numbers

Bloomberg, L.P.'s Open Symbology Group ("Bloomberg") thanks the Municipal Securities Rulemaking Board ("MSRB") for the opportunity to comment on the Draft Amendments to and Clarifications of MSRB Rule G-34 (the "First Request for Comment") published on March 1, 2017 and the subsequent Second Request for Comment (the "Second Request for Comment") published on June 1, 2017.

Bloomberg, the global business and financial information and news leader, gives influential decision makers a critical edge by connecting them to a dynamic network of information, people and ideas. The company's strength – delivering data, news and analytics through innovative technology, quickly and accurately – is at the core of the Bloomberg Professional service, which provides real time financial information to more than 325,000 subscribers globally. Bloomberg has deep experience with product identification based on our development of the Financial Instrument Global Identifier ("FIGI") open symbology, and our decades of experience with managing data pursuant to other symbologies used by our customers. The comments set forth herein are based on BLP's significant expertise in transaction reporting, data management, and analytics.

While we understand the MSRB's desire to amend the definition of 'underwriter' in regards to Rule G-34(a), specifically in cross reference to that set forth in Rule 15c2-12(f)(8) of the Securities Exchange Act of 1934, we believe that the MSRB should, based on the overwhelming feedback, take this unique opportunity to shift the focus of the Second Request for Comment.

Eighteen of the twenty responses sent to the MSRB in regards to the First Request for Comment carried a uniform and consistent message – specifically that there was significant concern about expansion of the CUSIP mandate.

It should be noted that the two responses in favor of expansion of the CUSIP mandate were made by the American Bankers Association (ABA) and CUSIP Global Services; both firms that profit from the government-imposed monopoly granted to CUSIP. ABA owns the CUSIP, and CUSIP Global Services is managed by Standard and Poor's and has the exclusive right to issue and license the CUSIP and related data.

As stated in our original response,

[O]n a broader level, the MSRB is extending the mandate to use CUSIP numbers under MSRB

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rules. Given global efforts to promote the use of open standard identifiers for financial transactions and products, and the existence of such identifiers for municipal securities, Bloomberg recommends that as the MSRB considers these changes, it also consider allowing FIGI numbers or other appropriate open-standard identifiers to be used in place of CUSIP numbers as a regulatory alternative to mandating that only CUSIP numbers can be used.

Bloomberg appreciates the value CUSIP has provided the industry since the requirement was put in place in 1983. However, we would like to note that the industry, especially technology and the approach to data, has changed significantly since that time. Reinforcing old mandates, without properly evaluating them in the context of the current state, would result in a missed opportunity to take advantage of new technology and can instead stifle innovation that would lead to greater efficiency, transparency and cost savings to the industry as a whole.

The MSRB may do a better service to the industry as a whole by examining the forced requirement imposed on the industry regarding the mandated use of a proprietary, for-profit identifier like CUSIP. This is especially relevant in light of recent public acknowledgement by regulatory bodies in the United States and globally that have begun to endorse 'voluntary consensus standards' that conform to 'open data principles.' Notably, officials from the Securities and Exchange Commission (SEC), Commodity Futures Trading Commission (CFTC), and U.S. Treasury Department have all indicated a pull-back from mandates that endorse proprietary monopolies in data for identification of both entities and financial instruments.

CUSIP fee mandates have been previously criticized by the SEC. SEC Commissioner Gallagher noted, "I would be remiss if I didn't point out that the Commission needs to do something about the de facto monopoly forcing the use of CUSIPs in the fixed income markets, starting with removing references to CUSIPs from our rules."¹ We believe it goes against SEC policy to continue to endorse a specific for-profit commercial entity's product, and we agree with Commissioner Gallagher's comments that CUSIP references in the SEC's rules should be removed, or at least be amended to add "or other standard identifier." At least on a going-forward basis, it appears that the SEC has taken steps in promulgating rules, such as the swaps rules, to ensure not to further entrench monopoly providers of identifiers. This should likewise be applied to the MSRB's rules.

Utilization of CUSIPs in the municipal market has other implications as well. For example, at the Financial Services Roundtable's Global Financial Summit in 2014, Commissioner Piwowar generally noted that there was fragmentation and complexity in the municipal market, there was a high number of CUSIPs relative to issuances, and investors and issuers could benefit from more standardization. We completely agree. Use of open data (license free) and enabling the use of alternative, voluntary consensus standards would actually ease complexity in the municipal market; from the elimination of "dummy CUSIP" creation, CUSIP re-use, and the resulting operational errors, re-bookings, and other impacts these both have; to enabling a deal-to-issuance data lineage consistent throughout the marketplace, regardless of firm, syndicate, deal type, or issuing process.

In reading the responses of the seventeen organizations that, in addition to Bloomberg, recommended against expansion of the CUSIP mandate, two primary themes are clear.

¹ "Remarks to the Georgetown University Center for Financial Markets and Policy Conference on Financial Markets Quality," Commissioner Daniel M. Gallagher (Sept. 16, 2014).

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1. Mandated use of CUSIP imposes a significant and restrictive cost on the industry as a whole. In more liquid markets with large institutional firms, this cost is embedded in current processes and pricing. But it still represents a significant burden that, given today's technological environment, continues to have diminishing value in comparison to the original mission from 1983, over thirty-four years ago.
2. The process of obtaining a CUSIP, and the restrictive licensing imposed on its use imposes unnecessary burdens on firms by interrupting transactional flow and timing. This is evidenced by the assertion that competition would be reduced, liquidity would be negatively affected, and parties would actively seek ways to avoid processes that would require use of a CUSIP.

As we stated in our previous comment letter;

The current state of market data technology and identification standards readily allows for the consideration of regulatory alternatives to requiring the usage of closed, proprietary numbering systems like CUSIP.

Since the 2008 financial crisis, financial regulators, under the auspices of the Financial Stability Board (FSB)² and Committee on Payments and Market Infrastructures - International Organization of Securities Commissions (CPMI-IOSCO),³ have been working to develop uniform, open standards for identifying financial entities and transactions to enhance their ability to monitor and address financial and market risks. At the heart of this effort is the need to classify and aggregate financial transactions and positions across markets, jurisdictions, and asset classes. Being able to group financial positions appropriately and value them is critical to regulators' efforts to understand financial markets. The FSB has recognized the importance of identifiers based on open standards and free of license or redistribution restrictions to this effort.⁴ The MSRB's consideration of allowing open standard alternatives to CUSIP would allow the MSRB to leverage this work to reduce costs and promote efficiencies for regulators and market participants alike.

Bloomberg notes that the MSRB already allows the use of Legal Entity Identifiers ("LEI")⁵ on its Form A-12 for identification of legal entities.⁶ The LEI is a global, open, uniform standard for identifying legal entities not just for the financial sector, but for any use where legal entity identification is required. While there can be a fee for getting and maintaining an LEI number, there are no fees or license restrictions for referencing an

² <http://www.fsb.org/>

³ <http://www.bis.org/cpmi/index.htm?m=3%7C16>.

⁴ See, Financial Stability Board, [Charter of the Regulatory Oversight Committee for the Global Legal Entity Identifier \(LEI\) System](#) (5 November 2012) at pg. 2, available at http://www.fsb.org/wp-content/uploads/r_121105c.pdf; [Feasibility study on approaches to aggregate OTC derivatives data](#) (19 September 2014) at pg. 37, available at http://www.fsb.org/wp-content/uploads/r_140919.pdf; and [Proposed governance arrangements for the unique transaction identifier \(UTI\)](#) (13 March 2017) at pg. 5-6, available at <http://www.fsb.org/wp-content/uploads/Proposed-governance-arrangements-for-the-unique-transaction-identifier-UTI.pdf>.

⁵ Bloomberg is a Local Operating Unit (LOU) for the Global LEI System (GLEIS). LOUs are responsible for issuing LEIs.

⁶ See, <http://www.msrb.org/msrb1/pdfs/MSRB-Brief-Legal-Entity-Identifiers.pdf>.

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LEI, republishing an LEI, or using an LEI for derivative works. Bloomberg recommends that the MSRB similarly consider allowing open-standard alternative identifiers that can fulfill the same function as CUSIP numbers.

Given their existence and growing usage, FIGI and other appropriate open-standard identifiers should be permissible regulatory alternatives to CUSIP numbers in Section 3 of the economic analysis of the Second Request for Comment. If the MSRB would prefer not to entirely remove the CUSIP reference, the MSRB should simply add the following language to enable the industry to use alternative identifiers: "or other standard identifier."⁷ Financial market participants would benefit significantly from the reduced costs flowing from the MSRB's allowing the use of FIGI numbers or other appropriate open-standard identifiers as acceptable alternatives to using CUSIP numbers for municipal securities.⁸ The MSRB's decision to allow the use of open-standard identifiers as alternatives to closed, proprietary standards such as CUSIP could have wider benefits for regulators and market participants than those related just to the municipal securities covered by the Proposed Amendments. Such a decision could help facilitate the use of open-standard identifiers across multiple asset classes as it would broaden the classes of assets that allow the use of open-standard identifiers for identification.

Since the MSRB is aware of the fees required in order to obtain a CUSIP, the MSRB should consider these fees in conducting its quantitative analysis to determine both the incremental costs of the Proposed Amendments, as well as the aggregate costs associated with the CUSIP mandate generally. Consideration should be given to the cost of obtaining a CUSIP, the costs associated with redistribution licensing, as well as the fact that every party in the chain must individually pay a license fee for using the same CUSIP.

One of the reasons firms may not be able to provide the MSRB actual cost numbers related to CUSIP fees for a quantitative analysis is because the CUSIP fees can be inconsistent, arbitrary and constantly on the rise -- making it difficult to give the MSRB a specific number to analyze.

Therefore, given the existence of open-standard alternatives to CUSIP numbers and the growing interest globally in promoting the use of open-standard identifiers, Bloomberg respectfully suggests the MSRB consider the availability of such open-standard identifiers in making decisions regarding whether to further mandate the use of CUSIP numbers.

Thank you, once again, for the opportunity to provide comments on the Proposed Amendments. If Bloomberg can answer any further questions or be of further assistance, please feel free to contact us.

Best regards,

Peter Warms
Senior Manager of Fixed Income, Entity, Regulatory Content and Symbology

⁷ Bloomberg assigned all rights and interests in FIGI to the Object Management Group (OMG) who now administers FIGI as an open data standard. The OMG is an international, open membership, not-for-profit technology standards consortium, founded in 1989.

⁸ FIGI serves as a framework that enables linking existing identifiers into a standardized relationship structure based on the relevant metadata associated with different identification approaches and symbologies. Access to a centrally available symbology that ties different symbologies together underneath it eliminates firms' need to perform their own mapping exercises, streamlines the trade workflow, reduces operational risk and enables greater data quality.