

Eastern Bank comment on requirements for obtaining CUSIP Numbers for all short term borrowing

The 351 cities and towns in the Commonwealth of Massachusetts have the option of borrowing short term utilizing the “state house loan note program” (Please see the links below for a description of the program). This borrowing mechanism offers the cities and towns a low cost alternative for short term borrowing that avoids the transaction costs of applying and paying for a CUSIP number for their notes (approximate cost per note - \$600.). The lower transactional cost for the notes permits the issuers to borrow smaller amounts and issue shorter maturities in an economical fashion that would be prohibitively costly under the new rules. The majority of the notes are also exempt from SEC Rule 15c2-12 requiring an official statement or continuing disclosure because the notes do not mature in more than nine months and are in denominations of \$100,000 or more. The cities and towns therefore, avoid the expense of issuing an official statement or entering into a continuing disclosure agreement. The new rules would therefore eliminate the currently available flexibility that cities and towns have in their short term borrowing, a program that has been in place since 1910 and is administered by the Commonwealth of Massachusetts’ Department of Revenue. The proposed requirements also state the only exceptions are for notes that are held by the bank or sold to other banks. Eastern currently sells state house loan notes to retail bank customers which allow Eastern to be a more aggressive bidder for notes, lowering the cost for the cities and towns. Eastern would like to expand the list of eligible buyers to include its current practice of selling to bank customers with Eastern performing the safekeeping functions since the notes do not have a CUSIP number. Therefore, Eastern Bank would recommend no changes to the existing law because the requirement for CUSIP numbers for all Massachusetts short term notes would result in additional costs, lowered flexibility and less market access for smaller issuers and issues.

Keeping the current exemption for the Massachusetts State House Loan Note program benefits the investors, the smaller communities and the taxpayers, as overly burdensome short term borrowing is averted in this very successful program.

From the Public Finance Section for the Commonwealth of Massachusetts

The State House Note Program is a low cost alternative for the issuance of debt for cities, towns, counties, and districts whereby notes are certified by the Director of Accounts. Established in 1910, this program provides a useful service to municipal issuers, especially the smaller towns and districts. Counties in Massachusetts are required to have all of their short-term notes certified by the Director of Accounts. It is an option for cities, towns, and districts. The State House Note Program also assists cities, towns, and districts Massachusetts with their financing needs through the certification of long term note issues known as serial notes.

<http://www.mass.gov/dor/local-officials/dls-newsroom/ct/state-house-notes-turns-100-and-becomes-free.html>

http://mcta.virtualltownhall.net/pages/MCTA_Presentations/2017-04/ShortTermBorrowingUpdate.pdf

<http://www.mass.gov/dor/docs/dls/boa/pubfinancesec/statehousenotes/instructionsbycategory.pdf>