

May 7, 2019

Mr. Roland Smith
Corporate Secretary
Municipal Securities Rulemaking Board
Washington, D.C.

Dear Mr. Smith,

This letter is providing comments on the "CUSIP Rule" as it affects independent municipal advisors.

The Rule as currently drafted requires that the municipal advisor obtain the CUSIP numbers for bonds that will be issued competitively before the award on the bonds. There are several problems with the Rule and the Rule, I believe, does not accomplish what the Board sought to do, which is to improve the disclosure on bank direct purchases. Rather than accomplish this goal, the Rule places additional burdens on the independent municipal advisors and makes the market less efficient than without the Rule.

Improved Disclosure

The MSRB has championed full and complete disclosure of bank loans and bank direct placements of municipal securities so that all bondholders have the same information regarding the impact of these bank agreements on other parity bondholders. This has been a laudable effort. However, the effect of the SEC's changes to 15c2.12 related to reportable events has corrected the problem moving forward in a much broader initiative than the CUSIP Rule could do. As a result, the CUSIP Rule has been made superfluous by the subsequent action by the SEC.

Municipal Advisor Burden

The Rule requires that the independent municipal advisor to seek and obtain CUSIP numbers before the award on a competitive sale. There are several problems with this approach:

1. Even in a competitive sale, the par amount of the bonds may change as a result of the bid, so that the CUSIP bureau will have to make adjustments, requiring multiple communications with the CUSIP Bureau.
2. Even if an independent advisor obtained the CUSIP number, there is still more to be done to make the bonds DTC eligible. Independent municipal advisors are not DTC eligible, and therefore an underwriter would have to take the CUSIPs to DTC to make them eligible for a FAST closing through DTC.
3. The limitation with respect to DTC does not apply to B/D-MA firms, since they are already a member of DTC.
4. Even if DTC changed its policies to allow non-broker dealers to become DTC participants, the cost would be significant, at over \$8,000 per year. However, it is not currently possible for an independent municipal advisor to become a DTC participant, so the threshold problem is more acute than the cost.

All of the above problems are avoided if the bond community went back to its prior practice of allowing the winning bidder in a competitive sale to apply for CUSIP numbers after the award that would then be made DTC eligible. This was a very efficient practice that was disrupted by the Rule, for no apparent benefit to issuers or to improve market efficiency.

If the MSRB was trying to cure an inequity between dealer MAs and non-dealer MAs, then I would suggest that the MSRB work with FINRA to harmonize its rules and allow the standard practice of having the winning bidder obtain the CUSIP numbers on a competitive transaction.

The rule should be modified with respect to this requirement by eliminating the requirement to have the municipal advisor obtain CUSIP numbers before the award on a competitive sale. In my view, the current rule as drafted is unworkable and will only encourage non-dealer municipal advisors to seek ways around a bad rule.

Thank you for the opportunity to provide comment on the Rule.

Yours truly,

Robert A. Lamb
President