

Comment on Notice 2017-05

from Rudy Salo,

on Friday, March 31, 2017

Comment:

I am commenting solely with respect to your inquiry as to whether there should be an exception to the proposed rule requiring CUSIP numbers in private placements of obligations to a single purchaser. Creating such an exception is the simplest way to alleviate the current market confusion. If CUSIPs are required without exception, then the rule should provide that such CUSIP numbers may either be obtained as CUSIPs for securities or CUSIPs for loans because the vast majority of banks book these obligations as loans. Alienating banks from purchasing these obligations will ultimately result in higher borrowing costs for issuers in transactions that are better suited for direct placement with a commercial bank. Regarding the feasibility of obtaining assurances from purchasers, such as commercial banks, that they are purchasing without a view to secondary market resales, this is currently a common practice in private placements/direct purchases.