

Comment on Notice 2017-05

from Dennis Dix Jr, DIXWORKS LLC

on Wednesday, March 29, 2017

Comment:

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DIXWORKS LLC is a single member firm established in March of 2001 serving small and medium-sized issuers in the State of Connecticut, many which might not otherwise have access to the capital markets on account of their small size, no previous credit, or small or infrequent borrowing needs. The most readily available credit source for these small issuers is the bank loan. These are plain vanilla credits that are booked as commercial loans and placed in the bank's loan portfolio never to see the light of day until maturity. The loan documents specifically state that the loan may not be marketed in any form that might constitute a municipal security. Placing a CUSIP on these loans might lead to the misinterpretation that they are a municipal security, to the benefit of no one.

The MSRB and other market players have made it abundantly clear that bank loans need to be disclosed in order to determine a complete credit picture of a particular issuer. I have no quarrel with that position. The EMMA portal has been updated to facilitate same. No CUSIP is needed to find and identify a properly disclosed bank loan.

I am bewildered by the new imposition on Municipal Advisors to provide CUSIP numbers for competitively bid new issues. This function has been effectively and reliably executed by the broker/dealer community for decades. A vague new concept of "regulatory imbalance" to justify this change escapes my understanding despite having read and re-read Notice 2017-05. A broker/dealer may bury its CUSIP cost in the spread, but an MA has no such option. We must either absorb this new cost or invoice our clients in addition to whatever fee we are charging. How do we recover the time-cost of this additional processing? Increase our fees? To what end? If this new burden on MA's somehow represents a correction of "regulatory imbalance", it certainly is not in favor of the MA industry.

I have profound respect for the MSRB's outreach efforts over the years to try and determine what exactly an MA does. Unlike the broker/dealer community where everyone does essentially the same thing, the regulation of that industry may be fairly uniform for all players. The MA business is extremely diverse as to the services it provides and the type of clients it serves. I urge that the MSRB not attempt to pound regulatory round pegs into square holes and to try to accommodate the amazing diversity of the MA universe. If I recall correctly, the Dodd-Frank Act included language stating that regulation of small market participants not be unduly burdensome. In my opinion, the shifting of the CUSIP burden from underwriters to MA's serves no useful purpose and does pose an undue burden on the small shops such as mine.

Thank you for your attention.

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