

Comment on Notice 2017-05

from Dmitry Semenov, Opus Bank

on Wednesday, March 15, 2017

Comment:

As a commercial bank involved in direct lending to public agencies, Opus Bank would like to submit a comment regarding the proposed CUSIP requirement for private placements of municipal debt.

A large volume of our public finance business comes through the private placement channels of various placement agents. The placement agents play a role of connecting public agencies with commercial banks. Most of the time the placement agents send us a brief request for proposal (RFP) on behalf of the agency seeking financing. It is very unusual for such RFPs to include any meaningful credit analysis that would satisfy our internal due diligence requirements. When the RFP is received, our bank performs all necessary due diligence, including obtaining financial statements and performing an in-depth internal credit analysis. We do not rely on any information prepared by credit rating agencies or the placement agents, but go to the source data and communicate directly with the public agency during the process.

Every credit facility that we extend to a public agency is treated and booked by us as a loan, with a loan number assigned. We make these loans with the intent of keeping them in our loan portfolio for the entire term. While most of the time the documents allow us to sell the entire credit facility or a portion of it to an institutional buyer, we have never done that. We do not use offering statements, CUSIPs, or DTC. From our standpoint, these credit facilities are no different than any other commercial loans that we make.

In our view, treating such transactions as anything other than regular commercial loans is incorrect and the CUSIP requirement is unnecessary.

Please, do not hesitate to reach out if you need any additional information or have any questions.

Thank you very much.

Sincerely,

Dmitry Semenov
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