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MSRB K0102

March 4, 2019

RE: MSRB Notice 2019-08 Request for Comment on MSRB Rule G-34 Obligation of Municipal Advisors to Apply for CUSIP Numbers When Advising on Competitive Sales

Mr. Ronald W. Smith, Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

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. DIXWORKS LLC has served this municipal market for 18 years, and its principal, Dennis Dix, Jr., has been engaged in the municipal finance industry since 1971.

I continue to be 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 (“b/d”) community for decades. A vague new concept of “regulatory imbalance” to justify this change escapes my understanding. A b/d 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?

I have profound respect for the MSRB’s outreach efforts over the years to try and determine what exactly an MA does. Unlike the b/d 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. 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 small shops such as mine.

To specifically address the MSRB’s questions in notice 2019-08:

1) Since the market has performed with admirable efficiency over decades under the prior regime of b/d’s obtaining CUSIP numbers for new competitive issues, relieving non-dealer MA’s of this burden should have little or no bearing on market efficiency. I believe the new rule is an attempt to fix something that’s not broken.

2) I cannot see what impact, if any, would result in adverse market disclosure by returning to the long-accepted practice of b/d's obtaining CUSIPs. The supposed acceleration of CUSIP availability at the time of notice of sale would have little bearing on an investor obtaining disclosure information before a deal is even priced and couponed. A CUSIP is of no value to an investor without all the relevant pricing information that can only come after a deal is sold.

3) see 2) above

4) I cannot speak for the b/d community, but I must suspect it has had policies and procedures in place for years to obtain CUSIPs efficiently and at nominal cost. Non b/d MA's must establish a regime of policies and procedures, deal with the added cost of obtaining the CUSIP, and in some respect, step into the b/d world for which MA's are neither licensed or trained. An MA serves the issuer, not the investor, and I think that distinction is being blurred with this regulation.

5) I cannot speak to this as I have no knowledge of the b/d side of the issue.

6) Aside from the time cost of establishing policies and procedures to comply, the time required to obtain the CUSIP, and the time needed to follow up, I not aware of any monetary impact.

7) In my market (as earlier defined), the issuer does not apply for CUSIPs.

8) I have yet to be forced to obtain a CUSIP, but it is my understanding that the CUSIP Bureau bills the underwriting b/d for the CUSIP.

9) My feeling, as expressed earlier, is that the MA is being forced to perform a duty that is inherently an underwriter function, and that the MA is being compelled to act on behalf of an underwriter or the investor when the MA's sole and fiduciary obligation is to its client, the issuer.

10) See 9) above.

11) I urge in the strongest terms that the rule be revoked or revised to relieve MA's of the CUSIP obligation. If the intent of the current rule is to accelerate the obtaining of CUSIPs, I simply don't see the need or market benefit under the current regulation.

12) As earlier expressed, the current regulation seems to attempt to fix something that's not broken. The intended benefit of quicker CUSIP availability just does not seem to warrant adding yet another burden to the MA industry that is trying its best to comply with the host of new regulations with which it now must comply.

Respectfully,

Dennis Dix, Jr.