

May 28, 2019

Submitted Electronically

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

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

Dear Mr. Smith:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit this letter in response to the MSRB’s Notice 2019-08 (the “Notice”): Request for Comment on MSRB Rule G-34 Obligation of Municipal Advisors to Apply for CUSIP Numbers When Advising on Competitive Sales. The BDA is the only DC-based group representing the interests of securities dealers and banks exclusively focused on the U.S. fixed income markets. We welcome this opportunity to present our comments.

The BDA does not believe that a retrospective evaluation of the CUSIP Requirement is appropriate.

The BDA does not believe that a retrospective evaluation of the CUSIP Requirement is appropriate. As a practical matter, the CUSIP Requirement with respect to any municipal securities market participant does not impose significant burden on the participant and does not merit re-opening MSRB Rule G-34 so soon after it has been finalized. The entire premise of the Notice and the several questions with respect to which the MSRB is seeking input assumes that the task of applying for CUSIP numbers represents a meaningful cost or burden to either underwriters or municipal advisors. But the task is administrative and does not entail much time or effort and the BDA does not believe that complaints by the municipal advisor community to the contrary have merit. There is nothing new about these complaints. The MSRB has considered them in connection with two separate requests for comment, and the SEC has also considered them. The BDA believes that these are in essence complaints that municipal advisors should not be subject to a regulatory regime, and these kinds of complaints should be moot at this point. The BDA believes that, like with all of the other regulatory changes over the last 10 years, the market should absorb the regulatory change and a retrospective rule review be conducted once there is actual market data to show its impact.

The BDA strongly urges the MSRB to not remove the CUSIP Requirement for municipal advisors for competitive sales that represent private placements.

The Notice does not address at all the impact that eliminating the CUSIP Requirement (as defined in the Notice) may have on the role of municipal advisors in private placements. The primary purpose of the 2017 G-34 Amendments (as defined in the Notice) was to clarify when underwriters and municipal advisors were required to obtain CUSIP numbers in the context of private transactions. The MSRB added Rule G-34(a)(i)(F) to provide that limited set of circumstances – including obtaining a representation from a bank – as to when an underwriter or a municipal advisor could have an exception to the requirement to obtain a CUSIP number. If the MSRB eliminates the CUSIP Requirement for municipal advisors, then that will allow municipal advisors to engage in “competitive sales” that are private in nature and do not have a dealer acting as a placement agent without obtaining a CUSIP number. As the MSRB believed in 2017, if municipal advisors engage in these kinds of transactions, the market needs to have the visibility into the existence of these transactions that a CUSIP number provides, so eliminating the requirement would be inappropriate. Thus, at a minimum, even if the MSRB deletes the CUSIP Requirement for municipal advisors (which the BDA would object to), it should do so only with respect to “competitive sales” as to which there is no broker, dealer or municipal securities dealer acting as an underwriter with respect to the transaction.

* * *

If you or your staff has any questions or need additional information, please do not hesitate contact me directly at 202.204.7901 or mnicholas@bdamerica.org. We look forward to your response.

Sincerely,



Michael Nicholas
Chief Executive Officer
Bond Dealers of America