



Bloomberg L.P.

731 Lexington Ave
New York, NY 10022

Tel +1 212 318 2000
bloomberg.com

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 (MSRB Notice 2019-08)

Dear Mr. Smith:

The Open Symbology Group of Bloomberg L.P. (“Bloomberg”) appreciates the opportunity to provide the Municipal Securities Rulemaking Board (“MSRB” or “Board”) with comments in response to the above-captioned request for comment (“RFC”).

I. About Bloomberg

Bloomberg is a global business and financial information company headquartered in New York. The principal product offered by Bloomberg is the Bloomberg Terminal[®] service (formerly known as the Bloomberg Professional[®] service), which provides financial market information, data, news and analytics to banks, broker-dealers, institutional investors, governmental bodies and other business and financial professionals worldwide. Bloomberg provides real time financial information to more than 325,000 subscribers globally.

In 2009, Bloomberg developed the predecessor to the Financial Instrument Global Identifier (“FIGI”), an open-standard identifier framework that can be used as an alternative to CUSIP for the identification of fixed income securities. In 2014, Bloomberg assigned the rights and interests in FIGI to the Object Management Group (“OMG”), a not-for-profit technology standards consortium that now administers FIGI as an open data standard. FIGI is the only existing standard identification symbology currently in production that, per the requirements set out by the OMG, is fee-free and license-free.

Bloomberg has deep experience with product identification based on our development of the FIGI open symbology as well as decades of experience with managing data pursuant to other symbologies used by our customers. Our comments are based on our significant expertise in transaction reporting, data management, and analytics.

II. Summary

Given global efforts to promote the use of open standard identifiers for financial transactions and products, Bloomberg's overarching recommendation is that the MSRB should consider allowing appropriate open-standard identifiers to compete with CUSIP numbers, in lieu of mandating the exclusive use of the latter. We respectfully assert that modifying MSRB Rule G-34 to permit alternatives to CUSIP will be in the interest of investors and municipal issuers. Bloomberg had previously noted that the expansion of the CUSIP mandate would impose additional costs and burdens on the industry. Certainly, in light of the market's experience with the rule in operation and the additional burden that has been placed on municipal advisers and other market participants, this RFC presents an opportunity to re-examine Rule G-34. Moreover, increasing competition will help the Board fulfill its statutory duty under Securities Exchange Act Section 15B, which requires MSRB rules to be designed "to remove impediments to and perfect the mechanism of a *free and open market* in municipal securities and municipal financial products."¹

As a preliminary matter, we note that Bloomberg is not alone in advocating for the MSRB to consider allowing greater competition in the financial identifier space. In 2017, the Bond Dealers of America ("BDA") submitted a letter to the Board regarding the MSRB's previous request for comment on Rule G-34. The BDA wrote the following:

The BDA supports the comments by other commentators that Rule G-34 should not directly require the assignment of a CUSIP number but instead should incorporate a broader concept. Based on input we have received from our members and others in the municipal securities market, other providers of securities identification numbers may be willing to compete with the CUSIP if they were equally accepted under legal regulations. Thus, by specifically requiring CUSIP numbers, the MSRB may have the unintended effect of preventing competition in this area. We encourage the MSRB to incorporate broader language in this and all of its rules (and associated guidance), which would embrace the potential for future securities identification numbers to emerge in the municipal securities market.²

Likewise, the Center for Municipal Finance submitted a letter in response to the same request for comment and wrote the following:

¹ 15 U.S.C. 78o-4(b)(2)(C) (emphasis added).

² Letter from Mike Nicholas, Chief Executive Officer, Bond Dealers of America (June 29, 2017) at 2, available at <http://www.msrb.org/RFC/2017-11/BondDealers.pdf>.

I recognize that the question of whether CUSIPs should be generally required is beyond the scope of this request for comments. However, as you consider whether and how to broaden the requirement to obtain instrument identifiers, MSRB should entertain the possibility of allowing those newly affected by the numbering requirement to use alternatives to CUSIPs. The most viable alternative of which I am aware is OpenFIGI which assigns 12-position symbols at no cost to the issuer and with no material impediments on use. I recommend that the proposed language be altered to require brokers, dealers and advisors to obtain an OpenFIGI symbol if and when they determine that a CUSIP is unnecessary.³

Bloomberg shares the belief that competition in this space would be beneficial.

III. The RFC

In connection with the MSRB's ongoing retrospective review of its rules and guidance, the Board posted the RFC to seek input on the market's experience with the operation of the CUSIP requirement provided in MSRB Rule G-34(a)(i)(A)(3) (the "CUSIP Requirement"). Under the CUSIP Requirement, a municipal advisor advising an issuer with respect to a competitive sale of a new issue of municipal securities is required to apply for the assignment of a CUSIP number or numbers with respect to such issue within a specified time frame, subject to exceptions. Although the rule has been in effect for less than a year, the burden that this rule has placed on municipal advisors has made it appropriate to initiate this RFC.

Bloomberg has previously opined on the amendments to Rule G-34 on three separate occasions.⁴ Rather than restate all of the points made in those letters, we incorporate them herein by reference and seek to add additional information that we believe will be helpful to the Board. Of the twelve questions posed in the final section of the RFC, we have focused our comments on question #12, as this question relates most closely to our experience with product identification and our prior comments on Rule G-34.

In response to the twelfth question, we submit that yes, there are alternative ways to achieve the intended benefits of the CUSIP Requirement, namely allowing open-standard identifiers⁵ to compete with CUSIP numbers.

³ Letter from Marc D. Joffe, President, Center for Municipal Finance (June 28, 2017) at 1-2, available at <http://www.msrb.org/RFC/2017-11/joffe.PDF>.

⁴ See Letters from Peter Warms, Senior Manager of Fixed Income, Entity, Regulatory Content and Symbolology, Bloomberg L.P., available at <http://www.msrb.org/RFC/2017-05/Juzenas.pdf> (March 2017), <http://www.msrb.org/RFC/2017-11/bloomberg.pdf> (June 2017), and <https://www.sec.gov/comments/sr-msrb-2017-06/msrb201706-2631530-161220.pdf> (October 2017).

⁵ Note that the term "open-standard identifiers" refers to financial instrument reference tools that adhere to the core principles of the open source movement, including the principle that a piece of data is open if anyone is free to use, reuse, and redistribute it subject only, at most, to the requirement to attribute and/or share-alike.

When adopting the first iteration of Rule G-34 in 1983, the Board asserted that “the generalized use of the CUSIP numbering system in the clearance and processing activities of the municipal securities industry will contribute to the improved efficiency of such activities.”⁶ If the intended benefits of the CUSIP Requirement correspond to the initial goals of Rule G-34, then modifying Rule G-34 to permit the use of open-standard alternatives to CUSIP numbers will achieve those intended benefits. In other words, broadening the scope of Rule G-34 to encompass open-standard identifiers will improve efficiency in the clearance and processing activities of the municipal securities industry.

As an initial matter, the MSRB already allows the use of open-standard identifiers for reporting in other contexts. The Legal Entity Identifier (“LEI”)⁷ is required on Form A-12 for identification of legal entities.⁸ The LEI is a global, open, uniform standard for identifying legal entities. While there can be a fee for issuing and maintaining an LEI number, there are no fees or license restrictions for referencing an LEI, republishing an LEI, or using an LEI for derivative works. Since the MSRB has already demonstrated a willingness to work with some open identifiers, we respectfully request that the Board consider allowing open identifiers to compete with CUSIP numbers in the context of Rule G-34.

Similarly, the current state of market data technology and identification standards readily allows for the consideration of alternative approaches to the CUSIP Requirement. For example, FINRA includes data fields for FIGI, as well as the CUSIP and CINS identifiers, in connection with the trade data FINRA disseminates through the Trade Reporting and Compliance Engine.⁹

Allowing open-standard alternatives to CUSIP numbers would also likely increase efficiency in the municipal securities market in the future. License-free, machine-readable open data-based identifiers would increase efficiency because market participants would be able to skip the process of purchasing and licensing CUSIP numbers, saving them time and money. In addition, while it is difficult to functionally map CUSIP numbers and other identifiers (such as Standard Industrial Classification codes) for contractual, cost-based, and technical reasons (i.e., only CGS can add data to CUSIP numbers), FIGI is a metadata-driven standard that allows extensions without restrictions.

⁶ Exchange Act Release No. 19743 (May 9, 1983), 48 FR 21690-01 (May 13, 1983) (SR-MSRB-82-11).

⁷ Bloomberg is a Local Operating Unit (LOU) for the Global LEI System. LOUs are responsible for issuing LEIs.

⁸ Municipal Securities Rulemaking Board, “Legal Entity Identifiers” at 2, available at <http://www.msrb.org/msrb1/pdfs/MSRB-Brief-Legal-Entity-Identifiers.pdf>.

⁹ See, e.g., Financial Industry Regulatory Authority, “TRACE Corporate Bonds and Agency Debt User Guide Version 4.7” at 88, available at <http://www.finra.org/sites/default/files/TRACS-CA-user-guide-v4.7.pdf>.

IV. Closing

Bloomberg believes continued dialogue between regulators and industry is critical to ensuring transparent markets, enabling effective evolution of regulation, and fair rulemaking. We are grateful for the opportunity to provide our comments on the RFC, and would be pleased to discuss any questions that the Board may have with respect to this letter.

Best regards,

Peter Warms
Senior Manager, Entity and Identifier Services, Bloomberg L.P.