

October 10, 2017

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Submitted Electronically Via Email: rule-comments@sec.gov

Re: MSRB – Notice of Filing of a Proposed Rule Change to Amend MSRB Rule G-34, on CUSIP Numbers, New Issue, and Market Information Request (Release No. 34-81595; File No. SR-MSRB-2017-06)

Bloomberg, L.P.'s Open Symbology Group ("Bloomberg") appreciates the opportunity to comment on the above-captioned Notice ("Notice") of Filing of a Proposed Rule Change ("Proposed Rule") to Amend MSRB Rule G-34, New Issues, and Market Information Requirements.

Bloomberg, the global business and financial information and news leader, gives influential decision makers a critical edge by connecting them to a dynamic network of information, people and ideas. The company's strength – delivering data, news and analytics through innovative technology, quickly and accurately – is at the core of the Bloomberg Professional service, which provides real time financial information to more than 325,000 subscribers globally. Bloomberg has deep experience with product identification based on our development of the Financial Instrument Global Identifier ("FIGI") open symbology, and our decades of experience with managing data pursuant to other symbologies used by our customers. The comments set forth herein are based on BLP's significant expertise in transaction reporting, data management, and analytics.

On March 1, 2017, the Municipal Securities Rulemaking Board ("MSRB") published a Request for Comment on Draft Amendments to and Clarifications of MSRB Rule G-34, on obtaining CUSIP numbers (the "First Request for Comment"). On June 1, 2017, the MSRB published a Second Request for comment on Draft Amendment to and Clarification of MSRB Rule G-34 (the "Second Request for Comment"). In response to both the First Request for Comment and the Second Request for Comment, Bloomberg recommended that the MSRB consider allowing appropriate open-standard identifiers to be used in place of CUSIP numbers as a regulatory alternative to mandating that only CUSIP numbers be used. While we understand that MSRB's intent was largely to codify existing guidance for dealers and municipal advisors to obtain CUSIP numbers for new issue securities, MSRB is also simultaneously extending the mandate under MSRB rules to use CUSIP numbers. Given the global efforts to promote the use of open standard identifiers for financial transactions and products, and the concerns raised by many commenters regarding the expansion of the CUSIP mandate under the Proposed Rules, Bloomberg recommends, as outlined in greater detail below, that the Proposed Rule be amended to permit the use of appropriate open-standard identifiers.

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As stated in our response to the First Request for Comment,

[O]n a broader level, the MSRB is extending the mandate to use CUSIP numbers under MSRB rules. Given global efforts to promote the use of open standard identifiers for financial transactions and products, and the existence of such identifiers for municipal securities, Bloomberg recommends that as the MSRB considers these changes, it also consider allowing FIGI numbers or other appropriate open-standard identifiers to be used in place of CUSIP numbers as a regulatory alternative to mandating that only CUSIP numbers can be used.

Bloomberg appreciates the value CUSIP has provided the industry since the requirement was put in place in 1983. However, we would like to note that the industry, especially technology and the approach to data, has changed significantly since that time. Reinforcing old mandates, without properly evaluating them in the context of the current state, would result in a missed opportunity to take advantage of new technology and can instead stifle innovation that would lead to greater efficiency, transparency and cost savings to the industry as a whole.

Although MSRB acknowledged Bloomberg's prior recommendations in this Notice,¹ the MSRB declined to incorporate Bloomberg's proposed language into the Proposed Rule, noting that the CUSIP issue arises in numerous other contexts and MSRB believes "it should be considered separately from this initiative."² Bloomberg respectfully disagrees and believes the CUSIP issue should be considered in this rulemaking, as well as in all future rulemakings. As a self-regulatory organization, the MSRB is subject to the Commission's oversight. We believe it goes against Commission policy to endorse a specific-for-profit entity's product. The Commission should not permit the MSRB to further expand the CUSIP mandate as it is seeking to do in this Proposed Rule.

In addition to this rulemaking effort, the MSRB may do a better service to the industry as a whole by examining the forced requirement imposed on the industry regarding the mandated use of a proprietary, for-profit identifier like CUSIP. This is especially relevant in light of recent public acknowledgement by regulatory bodies in the United States and globally that have begun to endorse 'voluntary consensus standards' that conform to 'open data principles.' Notably, officials from the Securities and Exchange Commission (SEC), Commodity Futures Trading Commission (CFTC), and U.S. Treasury Department have all indicated a pull-back from mandates that endorse proprietary monopolies in data for identification of both entities and financial instruments.

CUSIP fee mandates have been previously criticized by the SEC. SEC Commissioner Gallagher noted, "I would be remiss if I didn't point out that the Commission needs to do something about the de facto monopoly forcing the use of CUSIPs in the fixed income markets, starting with removing references to CUSIPs from our rules."³ We believe it goes against SEC policy to continue to endorse a specific for-profit commercial entity's product, and we agree with Commissioner Gallagher's comments that CUSIP

¹ Bloomberg suggested that the MSRB add "or other standard identifier" to the CUSIP number references in the rule. Notice at 31.

² *Id.*

³ "Remarks to the Georgetown University Center for Financial Markets and Policy Conference on Financial Markets Quality," Commissioner Daniel M. Gallagher (Sept. 16, 2014).

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references in the SEC's rules should be removed, or at least be amended to add "or other standard identifier." At least on a going-forward basis, it appears that the SEC has taken steps in promulgating rules, such as the swaps rules, to ensure not to further entrench monopoly providers of identifiers. This should likewise be applied to the MSRB's rules.

Utilization of CUSIPs in the municipal market has other implications as well. The SEC has previously noted the existence of fragmentation and complexity in the municipal market, the high number of CUSIPs relative to issuances, and the potential benefit to investors and issuers from more standardization. We completely agree. Use of open data (license free) and enabling the use of alternative, voluntary consensus standards would actually ease complexity in the municipal market; from the elimination of "dummy CUSIP" creation, CUSIP re-use, and the resulting operational errors, re-bookings, and other impacts these both have; to enabling a deal-to-issuance data lineage consistent throughout the marketplace, regardless of firm, syndicate, deal type, or issuing process.

In reading the responses of the seventeen organizations that, in addition to Bloomberg, recommended against expansion of the CUSIP mandate, two primary themes are clear.

1. Mandated use of CUSIP imposes a significant and restrictive cost on the industry as a whole. In more liquid markets with large institutional firms, this cost is embedded in current processes and pricing. But it still represents a significant burden that, given today's technological environment, continues to have diminishing value in comparison to the original mission from 1983, over thirty-four years ago.
2. The process of obtaining a CUSIP, and the restrictive licensing imposed on its use imposes unnecessary burdens on firms by interrupting transactional flow and timing. This is evidenced by the assertion that competition would be reduced, liquidity would be negatively affected, and parties would actively seek ways to avoid processes that would require use of a CUSIP.

As we stated in our previous comment letter;

The current state of market data technology and identification standards readily allows for the consideration of regulatory alternatives to requiring the usage of closed, proprietary numbering systems like CUSIP.

Since the 2008 financial crisis, financial regulators, under the auspices of the Financial Stability Board (FSB)⁴ and Committee on Payments and Market Infrastructures - International Organization of Securities Commissions (CPMI-IOSCO),⁵ have been working to develop uniform, open standards for identifying financial entities and transactions to enhance their ability to monitor and address financial and market risks. At the heart of this effort is the need to classify and aggregate financial transactions and positions across markets, jurisdictions, and asset classes. Being able to group financial positions appropriately and value them is critical to regulators' efforts to understand financial markets. The FSB has recognized the importance of identifiers based on open standards and free of license or redistribution restrictions to this

⁴ <http://www.fsb.org/>

⁵ <http://www.bis.org/cpmi/index.htm?m=3%7C16>.

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effort.⁶ The MSRB's consideration of allowing open standard alternatives to CUSIP would allow the MSRB to leverage this work to reduce costs and promote efficiencies for regulators and market participants alike.

Bloomberg notes that the MSRB already allows the use of Legal Entity Identifiers ("LEI")⁷ on its Form A-12 for identification of legal entities.⁸ The LEI is a global, open, uniform standard for identifying legal entities not just for the financial sector, but for any use where legal entity identification is required. While there can be a fee for getting 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. Bloomberg recommends that the MSRB similarly consider allowing open-standard alternative identifiers that can fulfill the same function as CUSIP numbers.

Given their existence and growing usage, FIGI and other appropriate open-standard identifiers should be permissible regulatory alternatives to CUSIP numbers. If the MSRB preferred not to entirely remove the CUSIP reference, the MSRB should simply have added the following language to enable the industry to use alternative identifiers: "or other standard identifier."⁹ Financial market participants would benefit significantly from the reduced costs flowing from the MSRB's allowing the use of FIGI numbers or other appropriate open-standard identifiers as acceptable alternatives to using CUSIP numbers for municipal securities.¹⁰ The MSRB could have decided to allow the use of open-standard identifiers as alternatives to closed, proprietary standards such as CUSIP, which would have provided wider benefits for regulators and market participants than those related just to the municipal securities covered by the Proposed Rule. Such a decision could have helped facilitate the use of open-standard identifiers across multiple asset classes as it would broaden the classes of assets that allow the use of open-standard identifiers for identification.

Since the MSRB is aware of the fees required in order to obtain a CUSIP, the MSRB should have considered these fees in conducting its quantitative analysis to determine both the incremental costs of the Proposed Rule, as well as the aggregate costs associated with the CUSIP mandate generally. Consideration should have been given to the cost of obtaining a CUSIP, the costs associated with redistribution licensing, as well as the fact that every party in the chain must individually pay a license fee for using the same CUSIP.

⁶ See, Financial Stability Board, Charter of the Regulatory Oversight Committee for the Global Legal Entity Identifier (LEI) System (5 November 2012) at pg. 2, available at http://www.fsb.org/wp-content/uploads/r_121105c.pdf; Feasibility study on approaches to aggregate OTC derivatives data (19 September 2014) at pg. 37, available at http://www.fsb.org/wp-content/uploads/r_140919.pdf; and Proposed governance arrangements for the unique transaction identifier (UTI) (13 March 2017) at pg. 5-6, available at <http://www.fsb.org/wp-content/uploads/Proposed-governance-arrangements-for-the-unique-transaction-identifier-UTI.pdf>.

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

⁸ See, <http://www.msrb.org/msrb1/pdfs/MSRB-Brief-Legal-Entity-Identifiers.pdf>.

⁹ Bloomberg assigned all rights and interests in FIGI to the Object Management Group (OMG) who now administers FIGI as an open data standard. The OMG is an international, open membership, not-for-profit technology standards consortium, founded in 1989.

¹⁰ FIGI serves as a framework that enables linking existing identifiers into a standardized relationship structure based on the relevant metadata associated with different identification approaches and symbologies. Access to a centrally available symbology that ties different symbologies together underneath it eliminates firms' need to perform their own mapping exercises, streamlines the trade workflow, reduces operational risk and enables greater data quality.

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One of the reasons firms may not have been able to provide the MSRB actual cost numbers related to CUSIP fees for a quantitative analysis is because the CUSIP fees can be inconsistent, arbitrary and constantly on the rise -- making it difficult to give the MSRB a specific number to analyze.

Therefore, given the existence of open-standard alternatives to CUSIP numbers and the growing interest globally in promoting the use of open-standard identifiers, Bloomberg respectfully requests that the Commission not permit the MSRB to further expand the CUSIP mandate. The MSRB has also noted that it "is currently monitoring or involved in various industry initiatives to modernize identifiers."¹¹ Bloomberg looks forward to working with and assisting MSRB in these modernizing initiatives, and Bloomberg believes the Commission should continue to oversee these efforts to ensure that subsequent rulemakings permit the use of appropriate open-standard identifiers.

Thank you again for the opportunity to comment. If you have any questions or you would like to discuss these matters further, please feel free to contact Peter Warms in our Regulatory Content and Symbology group at [REDACTED] or [REDACTED].

Best regards,

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¹¹ Notice at 31.