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May 3, 2023

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Submitted via email: rule-comments@sec.gov

Re: Proposed Rule Change to Amend MSRB Rules G-12 and G-15 to Define Regular-Way Settlement for Municipal Securities Transactions as Occurring One Business Day After the Trade Date and to Amend Rule G-12 to Update an Outdated Cross Reference MSRB File Number SR-MSRB-2023-03[1]

Dear Ms. Countryman:

Bloomberg L.P.[2] respectfully submits this letter in response to the above-referenced notice filed by the Municipal Securities Rulemaking Board ("MSRB") with the U.S. Securities and Exchange Commission ("SEC" or the "Commission") to amend MSRB Rules G-12 and G-15 to define regular-way settlement for municipal securities transactions as occurring one business day after the trade date and a proposed amendment to Rule G-12 to update an outdated cross reference (the "Proposal").

Overview

The Proposal seeks to change the settlement period for municipal securities transactions to align with the recently shortened settlement cycle for equity and corporate bond transactions. In connection with this initiative, we write to encourage the MSRB and the Commission to consider permitting market participants a choice among financial identifiers for required reporting and for other regulatory uses cases as specified in the MSRB's rules. The rules at present, and the amendments as currently proposed, do not allow market participants a choice among financial

[1] Notice of Filing of a Proposed Rule Change to Amend MSRB Rules G-12 and G-15 to Define Regular-Way Settlement for Municipal Securities Transactions as Occurring One Business Day After the Trade Date and To Amend Rule G-12 to Update an Outdated Cross Reference MSRB File No. SR-MSRB-2023-03 (Apr. 6, 2023), *available at* https://www.sec.gov/rules/sro/msrb/2023/34-97257.pdf.

[2] Bloomberg – the global business, financial information, and news leader – increases access to market data by connecting market participants of all stripes to a dynamic network of information, people, and ideas. The company's strength – quickly and accurately delivering data, news, and analytics through innovative technology – is at the core of the Bloomberg Terminal. The Terminal provides financial market information, data, news, and analytics to banks, broker-dealers, institutional investors, government bodies, and other business and financial professional worldwide.

identifiers. Shortening the settlement cycle to T+1 will require the creation of and broad access to more timely data. Allowing market participants to choose among financial identifiers in regulatory reporting and for other purposes will enable them to utilize the identifier that best fits their needs. In municipal securities, the Financial Instrument Global Identifier ("FIGI") is often available ahead of other identifiers and would be issued and made widely available in time to meet the needs of market participants seeking to comply with the requirements of a compressed T+1 environment.

More broadly, we believe that the use of any specific financial identifier should not be regulatorily mandated and competition among identifiers should be encouraged to benefit the industry as a whole. We take this opportunity to ask that the Commission consider the use of alternate identifiers, such as the FIGI.

FIGI and Its Benefits

FIGI is a unique, publicly available identifier that covers financial instruments across asset classes that arise, expire, and change daily. It was developed by Bloomberg to help solve licensing challenges and shortcomings in data organization and governance that persist in the current regional-based security identifier numbering approaches.[3] FIGI became a free, open data standard in 2014 after Bloomberg assigned all rights and interest in FIGI to the Object Management Group ("OMG"), an international non-profit technology standards consortium.[4] FIGI is in the public domain with no commercial terms or restrictions on usage, and it is available free of charge for use by all market participants.[5] This is one of the many attributes that sets the FIGI apart from other similar identifiers that impose significant licensing fees for users.[6] In 2021, the Accredited Standards Committee X9 Inc. ("X9"), a non-profit organization accredited by the American National Standards Institute ("ANSI"), accepted the FIGI as a U.S. national standard and designated as ANSI X9.145-2021.[7]

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[3] https://www.omg.org/figi

[4] Press Announcement: "What is in a Name? The Bloomberg Global ID Is Reborn as the FIGI" (Oct. 9, 2014), *available at* https://www.bloomberg.com/company/press/whats-name-bloomberg-global-id-reborn-figi/.

[5] FIGI is offered under the MIT Open Source license and we note that this dedication is formally embedded within the X9, ABNT, and OMG standard accreditations. The meta term "dct:license" specifically outlines the application of the MIT Open Source license in the standard for the identifier and associated metadata. *See* ANSI X9.145.2021 for FIGI (2021) at p. 28, *available at* https://x9.org/wp-content/uploads/2021/08/ANSI-X9.145-2021-Financial-Instrument-Global-Identifier-FIGI.pdf. *See also* OMG FIGI v1.0 (2015) at p. 31, *available at* https://www.omg.org/spec/FIGI/1.0/PDF.

[6] Bloomberg L.P. is the Registration Agent for the OMG standard, under the auspices of OMG's Financial Domain Task Force. There are currently two Certified Providers for the FIGI standard: Bloomberg and Kaiko. *See* Press Announcement: "OMG Announces Kaiko to Expand FIGI Standard for Crypto Assets" (Jan. 20, 2021), *available at* https://www.omg.org/news/releases/pr2021/01-20-21.htm.

[7] Press Announcement: "ASX X9 Publishes U.S. Standard for the Financial Instrument Global Identifier" (Sept. 15, 2021), *available at* https://www.bloomberg.com/company/press/asc-x9-publishes-u-s-standard-for-the-financial-instrument-global-identifier/.

One of the many benefits of the FIGI is that it enables interoperability between other identification systems and does not force the use of a single identification system. Enabling interoperability between different systems may lower costs when interacting between legacy systems, which may depend upon a single identifier and newer systems that typically have a more modern architecture. This interoperability reduces complexity, dependencies, and the costs of interacting across different user groups and communities that have different needs. It allows for better management of data, increases data quality, and facilitates the sharing of critical and universal information among different user communities without the costs associated with forcing changes to core systems and processes.

Reporting entities choose to use different identification systems internally for many reasons depending on their preference, internal systems, maturity of their data practices, costs, and interactions with clients and counterparties. Different identifiers may be used across an entity based on which identifier system best serves the required function (*e.g.,* trading, settlement, risk, or asset class). The needs of each entity are unique, and how data is used and implemented is increasingly becoming a source of competitive advantage. For these reasons, mandates that enforce the use of singular, non-open standards can have a detrimental impact, including by locking-in and causing market participants to incur potentially unnecessary costs. Though many entities use different identification systems internally today, they may be mandated by different regimes to use specific identifiers that are not fit for certain functional needs. Indeed, organizations such as the Investment Adviser Association ("IAA") have previously noted to the SEC that increasingly burdensome fees have been imposed on investment advisers, investors, and others for the acquisition, retention, and use of certain identifiers. The IAA has asked the SEC to review the policy of mandating the use of identification numbers in any regulations or regulatory filings as these practices may pose potential liability, subject users to the payment of burdensome fees, or are otherwise problematic.[8]

Bloomberg notes that, in November 2021, the SEC's Asset Management Advisory Committee ("AMAC") recommended that the SEC study whether to remove specific references to "CUSIP" numbers relative to securities identifiers in its rules and regulations.[9] In issuing its recommendation, the AMAC noted that certain fees associated with licensing and use of CUSIP, such as recordkeeping, trade confirmation, account statements, and regulatory reporting, were unreasonable and left small advisors and funds with no reasonable alternatives but to pay the fees.[10] The AMAC further noted that fees are pervasive throughout the financial system, especially when advisers or funds only use the CUSIP numbers for internal recordkeeping and

[8] *See* Letter from the IAA to the SEC dated Sept. 29, 2020 at p. 6, *available at* https://www.sec.gov/comments/s7-08-20/s70820-7859973-223872.pdf. *See also* Letter from the IAA to the SEC, dated Dec. 17, 2021 at p. 3, *available at* https://www.sec.gov/comments/s7-15-21/s71521-20109989-264314.pdf.

[9] SEC Asset Management Advisory Committee, Report and Recommendations on the Regulatory Approach for Small Advisers and Funds (Nov. 1, 2021), *available at* https://www.sec.gov/files/final-report-and-recommendations-small-advisers-and-small-funds-subcommittee-110121.pdf.

[10] *Id*. at pp. 9-10, 12.

client reporting. For these reasons, the AMAC suggested considering the use of other identifiers in its recommendations.[11]

Given these reasons, we believe that reporting entities should be permitted to choose among identifiers and have the flexibility to adopt, integrate, or switch to other identifiers as appropriate. We are therefore pleased to see that the Commission is increasingly permitting the use of alternative identifiers as seen in several recent rules adopted by the Commission and a number of additional rule proposals pending before the Commission.[12] In addition, we are seeing that industry participants are voluntarily reporting to the SEC using the FIGI. In June 2022, the Commission issued final rules on amendments to Form 13F that included the optional reporting of a FIGI for any security reported on Form 13F.[13] To date 6,856 Form 13F filings have been made, with over 10.8% of filers reporting using the FIGI.

The FIGI has broad industry support and as demonstrated by the recent Form 13F filings, market participants are willing to use FIGI for regulatory reporting. We would also note that, with the recent enactment of the Financial Data Transparency Act ("FDTA"), financial regulatory agencies – including the SEC – will be required to undertake a joint rulemaking on data standards for information collection and reporting.[14] Under the FDTA, data must be interoperable, non-proprietary, and fully searchable and machine-readable, among others.[15] As an identifier, the FIGI satisfies these criteria.

Conclusion

For these reasons, we believe that reporting entities and market participants more broadly should be given the ability to choose among financial identifiers in regulatory reporting and for other regulatory purposes. Allowing the option to choose a financial identifier would allow market

[11] *Id.* at p. 12.

[12] Prohibition Against Fraud, Manipulation, or Deception in Connection with Security-Based Swaps; Prohibition against Undue Influence over Chief Compliance Officers; Position reporting of Large Security-Based Swap Positions, SEC Exch. Act Rel. No. 34-93784 (Dec. 15, 2021), *available at* https://www.sec.gov/rules/proposed/2021/34-93784.pdf; Short Position and Short Activity Reporting by Institutional Investment Managers, SEC Exch. Act Rel. No. 34-94313 (Feb. 25, 2022), *available at* https://www.sec.gov/rules/proposed/2021/34-93169.pdf; Reporting of Securities Loans, SEC Exch. Act Rel. No. 34-93613 (Nov. 18, 2021), *available at* https://www.sec.gov/rules/proposed/2021/34-93613.pdf; Reporting Threshold for Institutional Investment Managers, SEC Exch. Act Rel. No. 34-89290 (July 10, 2020), *available at* https://www.sec.gov/rules/proposed/2020/34-89290.pdf.

[13] The final rule still mandates the reporting of the CUSIP number, however. Electronic Submission of Applications for Orders under the Advisers Act and the Investment Company Act, Confidential Treatment Requests for Filings on Form 13F, and Form ADV-NR; Amendments to Form 13F, SEC Exch. Act Rel. No. 34-95148 (June 23, 2022), *available at* https://www.sec.gov/rules/final/2022/34-95148.pdf; 87 FR 38943 (June 30, 2022).

[14] *See* Financial Data Transparency Act of 2022, Pub. L. No. 117-263, tit. LVIII, § 5811(a)(1), 126 Stat. 4145 (2022).

[15] *Id.*

participants to orient decisions around reducing costs of integration or realizing added benefits that offset any such integration cost concerns.

We appreciate the opportunity to share our thoughts on this issue and would be pleased to discuss any questions you may have with respect to this letter.

Thank you.

Very truly yours,

Gregory Babyak
Global Head of Regulatory Affairs, Bloomberg L.P.