CENTER FOR MUNICIPAL FINANCE

1655 N. California Blvd. Suite 223 Walnut Creek, CA 94596 ● http://www.munifinance.org

June 28, 2017

Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Re: Comments on Rule G-34

Dear Sir or Madam:

Thank you for giving me and other members of the public finance community an opportunity to comment on proposed changes to MSRB Rule G-34.

MSRB's mission statement includes a reference to the public interest. Thus, the rulemaking process should consider both the interests of municipal market participants and of the general public.

It is my belief that the general public is disadvantaged by the proliferation of municipal private placements and bank loans, because these debt facilities are less transparent than traditional municipal bonds. As a result, it is harder for municipal finance researchers to measure local government debt burdens – at least until the undocumented loans and private placements are reported on the entity's CAFR. The overall effect is to reduce government accountability and subject a wide variety of stakeholders (including taxpayers, public employees and service recipients) to greater insolvency risk.

Thus, I agree with MSRB's effort to tighten Rule G-34 in hopes of getting more public information on municipal private placements and bank loans. By requiring arrangers to obtain security identifiers for such alternative debt instruments, MSRB is promoting public awareness that issuers are taking on additional obligations. Allowing carve outs for instruments not expected to trade in the secondary market, as envisaged in the modified proposal, is inconsistent with this transparency objective.

That said, I agree with other commenters that the cost of obtaining CUSIPs for instruments unlikely to trade in the secondary market represents an undue burden. According to the CUSIP Service Bureau, the fee for obtaining CUSIPs is $173 for the first maturity plus $22 for each additional maturity. A long-term obligation with semi-annual maturities could have aggregate CUSIP fees of over $1000. In my published research, I have explained that the value of CUSIP services does not justify such onerous costs.

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.

Specifically, I suggest adding the following text at the end of the new paragraph (a)(i)F: If the broker, dealer, municipal securities dealer or municipal advisor elects not to obtain a CUSIP number that entity must obtain an OpenFIGI symbol for the issue.

Sincerely,

Marc D Joffe

Marc D. Joffe
President