



CUSIP Global Services
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Via Electronic Submission

December 31, 2020

Vanessa A Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: SEC proposed rule for Tailored Shareholder Reports, et al. File Number S7-09-20

Dear Ms. Countryman:

CUSIP Global Services¹(CGS), appreciates the opportunity to comment on the Securities and Exchange Commission’s (Commission or SEC) proposed rule to modernize the disclosure framework for open-end management investment companies. Specifically, we address Item 293 under the list of issues requesting comments:
293.

Form N-CSR currently requires funds that disclose divested securities under Item 6.b of the Form to include the Committee on Uniform Securities Identification Procedures (“CUSIP”) number for each divested security listed. Should we consider omitting Form N-CSR’s requirement to provide a CUSIP number for each divested security? Why or why not? Should we permit funds to provide, in lieu of a CUSIP number, other identifiers such as a Financial Instrument Global Identifier (FIGI) for each security? Why or why not? Would permitting voluntary use of an alternate identifier have a beneficial effect for investors, funds or users of the data?

Background

CGS comments as operator of the CUSIP system on behalf of the American Bankers Association (ABA) and under contract by S&P Global Market Intelligence with the ABA. In 1964, as a response to the securities settlement “paper crunch,” the NY Clearing House Association approached the ABA to develop a more efficient system for the trading, clearing, and settlement

¹ The financial services industry relies on CGS’ unrivaled experience in uniquely identifying instruments and entities to support efficient global capital markets. Its extensive focus on standardization over the past 50 years has helped CGS earn its reputation as a trusted originator of quality identifiers and descriptive data, ensuring that essential front- and back-office functions run smoothly. CGS is managed on behalf of the American Bankers Association (ABA) by S&P Global Market Intelligence, with a Board of Trustees that represents the voices of leading financial institutions. For more information, visit www.cusip.com

of securities. Thus was the Committee on Uniform Security Identification Procedures – CUSIP – born, with the first directory being published in 1968². In the ensuing decades, in parallel with widespread adoption and implementation by market participants, an increasing number of clearing corporations, regulators, and market authorities came to recognize the value and reliability of the CUSIP system. Under the direction and guidance of a cross-industry senior group of experts, the CUSIP Board of Trustees, this led to an ever-expanding universe of asset classes and geographies supported by CGS identifiers: municipal bonds, commercial paper, US treasury bonds, mortgage-backed securities, and bankers acceptances to name just a few. Over 50 years later, that spirit of innovation, sustained investment, and commitment to powering efficient capital markets lives on.

Form N-CSR

Form N-CSR is used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles. Item 6.b requires the registrant to provide certain information, including the CUSIP, for all securities divested in accordance with Section 13(c) of the Investment Company Act of 1940.

The use of CUSIP identifiers within Form N-CSR has helped foster market transparency for investors by ensuring uniformity across investment managers reporting their divestitures. For example, the CUSIP for Microsoft Common Stock is **594918 10 4**: all investment managers reporting a divestiture of Microsoft shares use that CUSIP when reporting. This consistent format for reporting has proved both simple and reliable for management investment companies and investors alike.

Additional Identifiers

Item 293 seeks comments on the proposed use of additional identifiers in Form N-CSR, specifically mentioning the Financial Instrument Global Identifier (FIGI). The FIGI is a product of Bloomberg LP, a global software, financial, data, and media company.

We submit that the use of additional identifiers such as FIGI could prove extremely disruptive to Form N-CSR reporting - and market participants by extension - for two primary reasons:

1. Consistency across reporting investment managers

As noted, the soundness and transparency offered by the current Form N-CSR requirements depend on all registered management investment companies reporting their divestitures in a uniform fashion. Returning to the example of Microsoft Common Stock with CUSIP **594918 10 4**, one of the relevant FIGIs is [BBG000BPH459](#). If two different investment managers were to

² "...The CUSIP system represents the foundation of the program to improve the speed and accuracy in the processing of securities and transactions involving them. We urge you to build upon that foundation as quickly as possible and again congratulate all of the organizations and individuals who participated in the development of the CUSIP system for their noteworthy achievement." – SEC Chairman Hamer Budge, June 20th 1969

report using the different identifiers, the transparency and consistency of Form N-CSR is quickly lost for all market participants, especially when the difference is compounded over thousands of reportable divestitures.

2. Fungibility

One of the hallmarks of the CUSIP system is the critical, industry-driven notion of fungibility: simply put, Microsoft Common Stock is the same instrument for the purpose of unique identification *regardless of the venue of execution*. As such, all management investment companies know that divestitures of Microsoft are to be reported with the CUSIP **594918 10 4**.

With other identification schemas, including FIGI, a different method is employed: as indicated in the example above, there are multiple identifiers for the same common stock *depending on the US Exchange where the shares are purchased*. The various FIGIs for Microsoft Common Stock, for example, include:

BBG000BPH9J3
BBG000BPH459
BBG000BPH6D5
BBG000BPH654
BBG000BPH958
BBG000BPHG07
BBG000BPHD40
BBG000BPH583
BBG000BPH8J5
BBG000BPH4R5

Therefore, if one management investment company purchased Microsoft shares on the NASDAQ main market and another purchased Microsoft shares on the NASDAQ PHLX (Philadelphia) market, they could report any subsequent divestiture of those shares using two different FIGI identifiers in their respective Forms N-CSR *even while using the same identification schema*.

In a similar vein, if the management investment company had to report the divestiture of another fund or ETF, such as the widely held SPDR S&P 500 ETF TRUST, the list of possible FIGIs include:

BBG000BDTNV2
BBG000BDTMT7
BBG000BDTG10
BBG000BDTF76
BBG000BDTGV7
BBG000BDTHF3
BBG000JD5D26
BBG000BDTNF0
BBG000BDTDK6

BBG000BDTN60
BBG000BDTGK9
BBG000BDTL00
BBG000BDTC00
BBG000BDTC82
BBG000BDTBL9

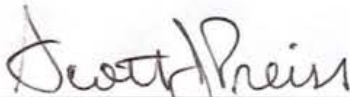
The single, fungible CUSIP for the SPDR ETF: **78462F 10 3**

The multiplicity of identifiers is a deliberate feature of the FIGI system and would likely lead to inefficiency, errors, and outright confusion in the reporting and monitoring of divested securities, thus undermining the very purpose of Form N-CSR.

Summary

The current format of Form N-CSR has served the Commission, management investment companies, and the investor community well, providing unquestionable consistency and transparency. The universal acceptance of the CUSIP system due to its efficacy is well established. This is not the case for FIGI, which is being promoted by Bloomberg LP, a global market data juggernaut. There is a host of other security identifiers in use by the market, including the Sedol (from the London Stock Exchange), ISIN (a 12-character code for cross-border trading), and Refinitiv's RIC code – the FIGI should not receive special consideration over any of these identifiers in use by market participants. CGS respectfully submits that introduction of a second identifier, even if optional, would introduce unnecessary ambiguity and confusion for the reasons set forth above while also adding an unknown cost burden stemming from identifier inconsistency

Respectfully,



On behalf of CUSIP Global Services