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Via Electronic Submission

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

Re: 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, File No. S7-32-10

Dear Ms. Countryman:

CUSIP Global Services¹ (CGS) welcomes the opportunity to comment on the Securities and Exchange Commission's (Commission or SEC) proposal to prevent fraud, manipulation, and deception in connection with security-based swap transactions. We write specifically to address the importance of consistency across reporting of swap transactions, the benefits of fungibility in securities identification, and the implied reliance placed on a single entity for sourcing the information referenced in the proposal.

Background

CGS comments as operator of the CUSIP system on behalf of the American Bankers Association (ABA) and under contract by FactSet Research Systems Inc. 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 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 group of senior experts, the CUSIP Board of Trustees, CUSIP

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 FactSet Research Systems Inc., with a Board of Trustees that represents the voices of leading financial institutions. For more information, visit www.cusip.com

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." Remarks of Hamer H. Budge Chairman, Securities and Exchange Commission Upon receiving first copy of the CUSIP Directory, (June 20, 1969) (available at <https://www.sec.gov/news/speech/1969/062069budge.pdf>). CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc.

grew to cover an ever-expanding universe of asset classes: municipal bonds, commercial paper, US treasury bonds, mortgage-backed securities, and bankers acceptances, to name just a few. As CUSIP has been widely embraced for over 50 years, CGS has a storied history of stepping up to help market authorities and law enforcement address the exact types of situations referenced in this rule proposal, including fraud and market manipulation/deception.

The SEC's Proposal

Under the proposal, the SEC would require certain parties involved in a security-based swap transaction, whether directly or indirectly, to file a Schedule 10B if the transaction exceeds a threshold amount. As the information in the Schedules 10B would be publicly available, including the underlying security to each swap transaction, the Commission's goal is to: a) promote market liquidity; and b) increase transparency for market participants who may have risk exposure to parties that exceed the reporting threshold.

The Use of Identifiers

Throughout Section B (Information Required to be Included in Schedule 10B), the SEC seeks comments on the proposed use of security identifiers in reporting, specifically mentioning the Financial Instrument Global Identifier (FIGI). The FIGI is a product of Bloomberg LP, a prominent market data and media company.

We submit that the use of additional identifiers such as FIGI could prove extremely disruptive to Schedule 10B reporting for two primary reasons:

1. Consistency across reportable swap transactions

As the recognized US numbering agency for financial instruments, CGS assigns CUSIPs for all debt and equity securities on a pre-trade basis. Indeed, many filings to the SEC have relied for decades on the CUSIP identifier, which has provided reliable, transparent, and consistent reporting to regulators and market participants alike. In the context of Schedule 10B, for example, an equity-based swap with Microsoft stock as the underlying security would be reported by *all* participants with CUSIP **594918 10 4**. If two different swap market participants were to report using different identifiers, whether using FIGI or "other unique security identifier(s)", the transparency and consistency sought by the Commission would be jeopardized for all market participants, especially when the difference is compounded over thousands of reportable swap transactions.

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 swap market participants would know that any equity-based transaction with Microsoft as the underlying should be reported with the CUSIP **594918 10 4**.

With other identification schemas, including FIGI, a different method is employed: 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

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BBG000BPHD40
BBG000BPH583
BBG000BPH8J5
BBG000BPH4R5

Therefore, if a single swap market participant had two reportable equity-based transactions with Microsoft as the underlying, one with shares from the NASDAQ main market and another with shares from the NASDAQ PHLX (Philadelphia) market, they could file respective Schedules 10B with different identifiers *even while using the same identification schema*. Reporting in such a manner would be confusing for market participants and undercut one of the Commission's stated goals: to provide transparency in risk exposure to a given counterparty.

The multiplicity of identifiers is a deliberate feature of the FIGI system and would likely lead to inefficiency and errors in the reporting and monitoring of reportable swap transactions, thus undermining the very purpose of the proposal.

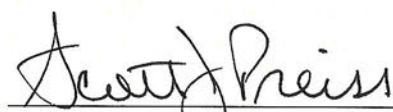
Reliance on a Single Party

In addition to FIGI, the proposal references the LEI (Legal Entity Identifier), an ISO standard used for uniquely identifying legal entities. As noted above, the FIGI is a construct of Bloomberg LP, the global market data vendor. While the Global LEI System (GLEIS) is composed of many issuing entities, called Local Operating Units (LOUs), footnote 241 in the Commission's proposal points to one LOU in particular – Bloomberg LP. We thus submit that the proposal, however inadvertently, is written in a way that would grant operational reliance to a single party (*i.e.*, identifying both the instruments and entities involved in swap transactions) – and one that already plays a prominent role across the market data and trade execution landscape.

Summary

The use of CUSIP identifiers in a wide range of regulatory reports and filings has served the Commission, other US regulators, and the investor community well for decades, providing unquestionable consistency and transparency. Indeed, the universal acceptance of the CUSIP system and the value it continues to provide is well established. As laid out above, the absence of fungibility in the FIGI schema, a feature of its design, could be a significant drawback when it comes to regulatory reporting. Whatever the Commission decides for information to be included in Schedule 10B, fungibility of identifiers should be a driving consideration.

Respectfully,



On behalf of CUSIP Global Services