



Should Borrowers Get Their Own CUSIP6?

NAHEFFA Spring Conference 2022

Basics

- Per the CUSIP Global Services website:
 - Derived from the Committee on Uniform Security Identification Procedures, CUSIPs are 9-character identifiers that capture an issue's important differentiating characteristics for issuers and their financial instruments in the U.S. and Canada.
 - First six characters (CUSIP6) identifies the unique name of a company, municipality or agency. The final three digits identify a specific issue and security. (In the muni space, the final three digits are unique to each maturity of a bond.)
 - CUSIPs are assigned to munis as well as more than 30 other types of equity and debt instruments
- For conduit issuers, the CUSIP6 relates to the *issuer* and not the *underlying borrower*

Problem Statement

- Particularly with respect to obligated persons who are frequent borrowers and who issue through multiple NAHEFFA members, the use of the CUSIP6 running to the *issuer* creates challenges for market transparency with respect to the debt picture of the *borrower*
- The tools we commonly use to build a full picture of a borrower's debt portfolio (e.g., EMMA) are beset with data inconsistencies, often rendering search functions unhelpful and incomplete
- Human error can easily lead to a situation where annual financial/operating data and material events for one borrower end up posted against the CUSIPs of dozens of other borrowers



Challenges/Volume of Borrowers



Illinois Finance Authority

CUSIPs: 45204F; 45204E; 45200F

<u>Obligor Category</u>	<u>Obligors</u>	<u>Series</u>	<u>CUSIPs</u>	<u>Trades</u>	<u>Trade Volume</u>
Distressed Cities	1	1	1	11	15,880,000
Loans	3	9	153	17,806	4,593,995,000
Charter	2	3	25	25	37,250,000
Parochial Ed	5	8	8	156	530,785,000
Local Govt	1	17	186	6,635	784,270,000
Cultural	8	16	45	6,191	4,338,790,000
HealthCare	35	187	877	184,691	171,395,209,000
HigherEd	11	38	281	24,383	11,547,051,000
Senior	16	53	168	13,100	2,797,219,538
Advocacy	11	27	79	7,829	13,165,575,000
Theological	4	8	19	781	294,755,000
Industrial	4	4	4	159	220,615,000
ReCUSIP	1	44	122	6,273	1,153,127,002
Total	102	415	1968	268,040	210,874,521,540

CUSIP information from May 1, 2002 to April 14, 2022. Aggregations performed by Columbia Capital using algorithmic matching. Subject to change.

For purposes of comparison, the City of Chicago alone has *five* CUSIP6s for its borrowing programs.

Challenges/Data Inconsistencies

- Let's use SSM Health as an example
 - SSM Health is a Catholic, not-for-profit health system serving the comprehensive health needs of communities in Illinois, Missouri, Oklahoma and Wisconsin.
- Borrows through both the Missouri and Wisconsin authorities
- EMMA lists the *issuer* names on SSM borrowings as:
 - HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI
 - MISSOURI ST HEALTH & EDL FACS AUTH HEALTH FACS REV
 - MISSOURI ST HEALTH & EDL FACS AUTH REV
 - HEALTH AND EDUCATIONAL FACILITIES AUTHORITY OF THE STATE OF MISSOURI HEALTH FACILITIES REVENUE BONDS
 - WISCONSIN HEALTH & EDL FACS AUTH HEALTH FACS REV
 - WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Challenges/Mapping CUSIP6s

- SSM borrowings are assigned CUSIPs under the following bases:
 - 60637A
 - 97670F
 - 60635R
 - 85227R
- Even smaller borrowers have similar challenges
 - Roosevelt University in Chicago
 - Only four outstanding transactions: 2007, 2018, 2019, 2020
 - These four transactions span *three* CUSIP6s:
 - 45204F
 - 45204E
 - 45200F
 - These four transactions span two different spellings of the issuer name:
 - ILLINOIS FINANCE AUTHORITY
 - ILLINOIS FIN AUTH REV



Implications of CUSIP6-by-Issuer

- Particularly for large borrowers it is nearly impossible for an outsider to reconstruct a comprehensive debt picture from existing tools with any reasonable degree of certainty
 - Did I capture all the CUSIPs outstanding?
 - Did I search for all the permutations of the issuer name?
 - Did I search for all the permutations of the borrower name in the other search fields?
 - Do I *really* have to buy a super-costly subscription to the CUSIP database to figure this out?!?
- Greater transparency for borrowers is likely to improve market standing and, hopefully, pricing
- Issuer-based CUSIP6s can also make post-issuance compliance work for borrowers—typically delegated to them by conduit issuers—more challenging, increasing the odds of mis-posted information on EMMA

Potential Solutions

- Advocate with the CUSIP Bureau for CUSIP6s for conduit borrowers
- Advocate with the CUSIP Bureau for better data consistency in naming at both the conduit issuer level and in how discrete borrowers are coded in their system
 - Improved data from CUSIP will make EMMA more useful
- Determine whether there's another way to improve data consistency at the conduit borrower level (unique sub-CUSIP identifiers, etc.)



Question for You

- As a conduit issuer, do you see any drawbacks to having the CUSIP6 assigned at the borrower level vs. the issuer level?





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