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Why Is It So Hard to Access Performance and Financial Data in Munis?

Issuers look to the municipal bond market to refresh our nation's infrastructure, but who will update the municipal bond market's obsolete data infrastructure? Almost 20 years into the new century, the functional systems for identifying issuers and their performance are still being served up with 20th century technologies. To move the market forward, we believe that market participants, including regulators, adopt the best of breed technologies from other markets. The first step forward is to build a consortium of private, nonprofit, and academic interests who have been promoting alternative systems for identifying, indexing and analyzing capital market data.

The "who's who" is important

Associating securities with standard issuer identifiers makes it easier for investors to track exactly who owes what. In the municipal market, we often rely on the first six positions of the CUSIP number to identify issuers — but this 1960s-vintage technology is no longer fit for purpose.

CUSIPs have a total of nine positions, but the last position is a so-called check digit used to verify that there are eight characters do not contain a typo. So, for any given issuer, only the seventh and eighth positions can be used to uniquely identify a given bond. Since those positions can be filled with either letters or numbers, there is a theoretical maximum of 36*36=1296 CUSIPs per issuer . Since municipal bond issues often contain a dozen or more serial bonds and since CUSIPs are not reused after maturity, bigger issuers can easily exceed this limit.

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