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DTC Backs Off Idea of Per-CUSIP Fees That Had Upset Muni Groups.

WASHINGTON — The Depository Trust Co. has submitted to the Securities and Exchange Commission a flat fee increase for multi-CUSIP municipal bond transactions, rather than the higher per-CUSIP fees it discussed earlier that riled market groups.

The new fee structure, which was effective Jan. 1, raises from \$500 to \$800 the fee DTC collects per issue with more than one CUSIP. Single-CUSIP transactions, which are not as common in the muni market, will remain unchanged at \$350 per transaction.

Although the rule is already effective, the SEC can suspend it at any time within 60 days of its Dec. 23 filing based on public comments it receives. The commission is accepting comments during this time.

The Government Finance Officers Association, Securities Industry and Financial Markets Association, and National Association of Public Finance Advisors had protested in 2012 after hearing that the Depository Trust & Clearing Corp., which oversees the DTC, was considering a fee structure of \$200 for the first CUSIP on a transaction and \$150 for each additional CUSIP.

David Cohen, managing director and associate general counsel at SIFMA, said the new fee represents a favorable outcome compared with the per CUSIP structure initially discussed, despite not being ideal.

“This proposal from SIFMA’s perspective is not perfect, because it is a fee increase,” Cohen said, but added that SIFMA is still pleased that the DTC “refined” its earlier plan.

The fees jumped considerably three years ago, when multi-CUSIP transaction fees rose to \$500 from \$200, a spike that also outraged some sectors of the market.

The groups warned in 2012 that the new fee increase being discussed at DTC would lead to huge cost increases that would especially burden small issuers. An issuer of bonds with 20 different maturities, for example, would have paid \$3,050 in fees under the initially discussed fee schedule. It would be \$800 under the current one.

Nathan Howard, a lawyer at Affinity Law Group, LLC in St. Louis who serves as counsel to NAIPFA, was also pleased with the result.

“We’re very happy that DTC only increased their fees a minimal amount,” he said.

DTC’s filing indicated it believes that the fee schedule is equitable and will not disadvantage any market participant.

“DTC does not believe that the proposed rule change will have any impact, or impose any burden, on competition,” the filing reads. “The proposed changes will align DTC’s fees with the costs of

delivering services to its participants, and the revised fee schedule will apply equally to all DTC participants in accordance with their use of DTC's underwriting service."

BY KYLE GLAZIER

JAN 7, 2014 2:30pm ET

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