CUSIP

A COMMON LANGUAGE
FOR
EFFICIENT MARKETS

VIRGINIA B. MORRIS AND **KENNETH M. MORRIS**

Experience, Technology, Process, Innovation: These four pillars have driven the growth of the CUSIP system globally for over 50 years.

Experience: Five decades as a dedicated standards practitioner. With 1000-2000 new, unique identifiers and related descriptive data added daily, the CUSIP database contains data on over 44 million instruments and their issuers.

Process: A rigorous, time-tested process to extract and standardize data the financial markets can trust for all trading, clearance and settlement activities. The result? A profile of critical descriptive data and the resulting identifier that powers the capital markets.

Technology: Cutting-edge options to access the data, including direct web tools, APIs and FTP delivery for bulk files, plus state-of-the-art disaster recovery and business continuity infrastructure.

Innovation: A rich tradition of working with partners and market authorities – from the National Association of Insurance Commissioners to Depository Trust and Clearing Corporation to the Municipal Securities Rulemaking Board – to continually expand into new asset classes and geographies.

As we look ahead at opportunities in OTC derivatives, private markets, and physical precious metals, it's clear the spirit of innovation and continuous reinvestment on behalf of the financial industry lives on at CUSIP Global Services. With insight and guidance from the American Bankers Association and our industry appointed Board of Trustees, our efforts to expand and develop new standards are always driven with one goal in mind: to improve efficiency and bring reliability to all sectors of the global financial markets.
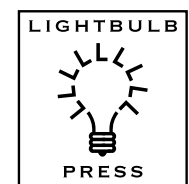
We are pleased to work with Lightbulb Press to publish this updated edition of CUSIP: A Common Language for Efficient Markets.

Scott Preiss
Managing Director and Global Head – CGS

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LIGHTBULB
PRESS

Introducing CUSIP

Capital markets are most liquid and efficient when they're also transparent.

When a US investor buys or sells a stock or bond, puts money into a certificate of deposit (CD), chooses a put or call option, participates in a private placement, or engages in dozens of other financial transactions, the underlying instruments, in each case, will almost certainly have a common feature: a nine-character CUSIP identifier.

Though investors may be unaware of the identifier, or uncertain about what a CUSIP is, they are confident when they initiate a securities transaction that the trade will be executed smoothly and efficiently. And that's almost invariably the case, thanks in large measure to the alphanumeric format that uniquely designates each financial instrument and its issuer.

SO WHAT'S AN IDENTIFIER?
Identifiers are everywhere. An ISBN signals a particular edition of a book, a barcode encodes a product's price, and a Social Security number represents an individual in hundreds if not thousands of ways over a lifetime. Similarly, a CUSIP represents a specific financial security or instrument, often for its entire existence.

Each identifier, including a CUSIP, is constructed from a combination of letters, numbers, or both, always in a standardized format and often of a prescribed length. And while some identifiers, often described as arbitrary,

provide convenience but have no particular meaning, most carry specific information. A CUSIP, for example, identifies both the issuer of a security and the particular issue.

An effective identifier system is also extensible, something an alphanumeric format makes possible. In developing the CUSIP system, which was initially designed for equities and bonds, CUSIP Global Services (CGS) anticipated the need to accommodate a wide range of securities and to be adaptable to the requirements of an increasingly complex electronic trading environment.

Providing this flexibility, as well as allowing issuers and other entities to adapt the system for their own internal uses, has helped to establish the ubiquitous presence of CUSIP identifiers in today's financial markets.

> ### TICKER SYMBOLS
> Stock symbols are the archetypal identifiers for exchange-listed equities.
>
> They're short—typically four characters or fewer—and either alpha or numeric, or sometimes a combination, depending on the type of security and the exchange. And they're unique, since a particular symbol represents just one security at any given time. But stock symbols don't translate well from market to market because they're exchange-specific. That limits their use in a global marketplace.

Participants
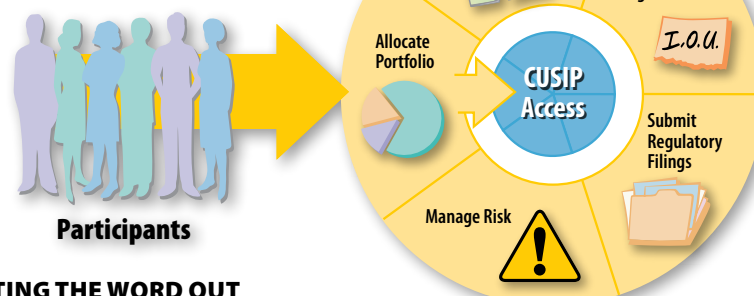
GETTING THE WORD OUT
Any system of identifiers is most effective when it's robust, reliable, and widely integrated throughout the industry it serves. A variety of elements come into play in cementing the system's role. Convenience is a factor, of course. So is having its use widely adopted.

But perhaps the most significant factor in establishing an identifier's significance is whether the system provides something of value. For example, the success of CUSIP as the standard securities identifier wasn't dependent on being written into the regulations. Rather, it became a regulatory mandate because it had repeatedly demonstrated its value and become the standard.

CUSIP identifiers enable efficient clearance and settlement of security transactions, accurate records management, and clear communication among market participants.

A UNIVERSAL LANGUAGE
While CUSIP is a US system, it is an integral part of a global network of security identifiers, a network that has evolved over 20 plus years. In fact, CGS has been a driving force in conceptualizing, developing, and managing this collaborative venture.

For example, the CUSIP International Numbering System (CINS) assigns a nine-character issuer/issue identifier and provides a standardized description for securities that trade in markets worldwide.

The International Securities Identification Number (ISIN) system, created and managed under the auspices of the multinational Association of National Numbering Agencies (ANNA), provides identifiers for use across national borders. ANNA members, including CGS, share a commitment to language-neutral alphanumeric signifiers that refer to a specific product, regardless of the language spoken in the country where it was issued or by the investors who buy and sell it.

DATA MATTERS
Securities identifiers like CUSIPs and ISINs make domestic and global financial markets faster, more efficient, and more liquid. But that's not all.

Corporations, governments, and investment bank issuers tap the capital markets to buy state-of-the-art equipment, build hospitals and schools, invest in critical infrastructure projects, and refinance debt. Requesting CUSIPs and ISINs in the pre-trade environment improves the marketability and likelihood of raising the necessary capital.

The identifier-centered databases that CGS creates are populated with voluminous detail about issuers and their issues, updated regularly in near real-time, and readily accessible online through the product known as CUSIP Access. The databases help market participants find the information they need to allocate and rebalance portfolio assets, ensure that their investment strategies are aligned with corporate guidelines, evaluate their debt obligations, facilitate their regulatory filings, and identify and manage potential external risks, such as overexposure to certain counterparties.

Just a few examples can help illustrate the scope of this information. A firm can access a CGS database to independently verify or provide enrichment data for their clients' or their own security holdings. A broker-dealer can link a security's CUSIP to the ISIN that is used to trade that security on a global exchange. Or a financial adviser can identify groups of securities available only to qualified institutional buyers or accredited investors.

Federal regulators likewise depend on CGS databases to track individual instruments in the marketplaces they oversee and to evaluate the systemic risk that the interconnected issuers, such as corporations and their subsidiaries, may pose to the financial system.

In an era of expanding compliance requirements, CUSIPs provide an assurance of accurate identification.

A Timely Origin

CUSIP identifiers transformed near-chaos into long-term efficiency.

The 1960s were a heady time for US stocks. Individual investors were buying and selling in expanding numbers. Trading volume jumped, setting new records every year. The DJIA broke 1,000 for the first time. But the traditional process for completing the trades was approaching gridlock.

Each one of the millions of daily transactions was processed by hand when the trading day ended. Stock certificates—the only evidence of ownership—and cash payments were exchanged between the brokerage firms representing the buyer and seller. Then transfer agents retitled the certificates in the name of the new owner.

But the system was overwhelmed. Securities went undelivered. Payments weren't collected in a timely way, putting financial pressure on the brokerage firms. Records were lost. The NYSE closed every Wednesday and often early on other days so back offices could catch up. (In 1969 and 1970, more than 100 firms, about one-sixth of the members of the NYSE, folded or merged.)

But within the next few years, the outdated procedures that were hobbling the stock market led not to collapse but to modernization.

A PROACTIVE SOLUTION
In response to increased trading in a system whose operations hadn't kept pace, the SEC had increased the number of days permitted to settle a transaction from two days after the trade date (T+2) to four (T+4) in 1946 and to five (T+5) in 1968.

But in 1972, all brokerage firms adopted CUSIP identifiers for stocks, revolutionizing the trade clearing and settlement process. Rather than finalizing each transaction by exchanging a certificate for cash, every brokerage firm's buy and sell orders were netted down, or offset. That meant the only cash that changed hands paid for the limited number of net purchases that hadn't been offset by net sales. As an added measure, ownership records could be updated electronically by using CUSIP identifiers rather than reissuing a printed document.

For investors, this newly efficient process meant that settlement was reduced to T+3 in 1995 and further reduced to T+2 in 2017.

OPEN-ENDED EXPANSION
While stocks and corporate bond identifiers were the initial focus, CGS was forward-looking from the start. Though the organization couldn't have anticipated all the financial innovations that have emerged in the more than 50 years since it began work—including options contracts, credit derivatives, and structured products, to name just a few—there was consensus that the new system had to be flexible enough to encompass a diverse range of new products.

In 1975, the Federal Reserve began using CUSIP identifiers to speed up transfer of US Treasury issues. Then, in 1983, the Municipal Securities Rulemaking Board (MSRB) embraced CUSIPs for municipal bonds. In the next 20 years, the coverage expanded to include virtually all asset classes, including certificates of deposit (CDs), commercial paper, mutual funds, indexes, loans, insurance products, options contracts, hedge funds, and private placements, among others.

Since 1989, CGS has created identifiers on the CUSIP model for non-US markets and for securities trading on more than one exchange or in more than one currency.

Federal Reserve uses CUSIPs for US Treasurys
1975

CUSIP Xpress enables one-hour requests
1993

CUSIPs introduced for options contracts
2009

CUSIP Pulse launched for near real-time updates
2018

1963

| 1960 | 1970 | 1980 | 1990 | 2000 | 2010 | 2018 |

Creation of CUSIP Service Bureau, now CGS
1968

CUSIPs embraced by brokerage firms
1972

MSRB adopts CUSIPs for Munis
1983

CUSIPs assigned to indices
2003

NECESSITY AND INVENTION
A series of innovations—including a system of uniform securities identifiers—moved the stock market into a new era. The identifiers were designed to ensure that clearance and settlement functioned smoothly and accurately.

In fact, the importance of a standard identifier had been articulated in 1962, before the trading crisis began. In 1964, the American Bankers Association (ABA) was asked to create a Committee on Uniform Security Identification Procedures (CUSIP) with a multi-part mission:

- Develop a system that would assign a unique yet simple identifier to every existing and future security

- Require that the identifier be imprinted on all new certificates in a uniform position
- Ensure that the CUSIP identifiers are machine-readable to facilitate electronic processing

By 1968, a uniform alphanumeric numbering system that met those criteria and provided a compact but detailed description of each security was ready. The ABA created the CUSIP Service Bureau, now CUSIP Global Services (CGS), to carry out the mandate and selected Standard & Poor's to manage it. FactSet Research Systems, Inc. took over management in March 2022. Though full implementation took time, as some market participants resisted change, its benefits were clear from the start.

EVOLVING TECHNOLOGY
Another challenge of creating an enduring identifier system was anticipating technological changes, especially those that would require identifiers to function in an increasingly electronic marketplace.

Since 1984, for example, all new municipal bonds have been issued electronically, with CUSIP identifiers but without paper certificates provided to the owners. Similarly, most existing stock certificates are immobilized, or held in Depository Trust Company (DTC) custody, where they are registered in street name to facilitate settlement. Many new stock issues are dematerialized, or never issued in paper form at all.

And while the stocks, bonds, and other financial instruments investors own continue to be listed on their account statements by the issuer name, any action that involves that instrument—a trade, an interest payment, a distribution, a proxy vote—is processed using its CUSIP identifier.

> **A VOTE OF CONFIDENCE**
> SEC Chairman Hamer Budge, in 1969, described the newly released CUSIP Directory as a long-needed tool that would provide "the foundation of the program to improve the speed and accuracy in the processing of securities and transactions involving them."

The Intelligent Identifier

The CUSIP identifier is a window into the world of financial instruments and their issuers.

Like the symbols in a secret code, the characters that make up a CUSIP identifier have special meanings. Unlike a coded message, though, the identifier provides totally transparent information to the financial community. Each CUSIP identifies a specific security, or issue, that is available to investors and the issuer—either a corporation, government, or government agency—that has brought it to market.

UNDERSTANDING THE CUSIP
Each CUSIP identifier consists of nine characters. The first six identify the issuer, the next two identify the issue, and the final one is a check digit.

Each issuer's six-character identifier is typically used over and over, as the entity offers new securities. But a two-digit issue identifier is used just once with a particular issuer identifier. So, for example, 037833 10 0 identifies Apple common stock (with a 0 as the final, or check, number) and 037833 AL 4 (with 4 as the check number) identifies a specific Apple bond issue.

In most cases an issuer has just one identifier at a time. The exceptions occur in the case of the US government and some municipal bond issuers when all the possible combinations—900 of them—for outstanding securities linked to a single identifier have been exhausted. Then another identifier is issued.

A security that's assigned a CUSIP or CINS also gets a corresponding ISIN.

INFINITE VARIETY
When the initial identifiers were created, each sequence was made up entirely of numbers. When CUSIP began providing identifiers for municipal bonds, in 1984, alpha characters—better known as letters—were added. Today, many (but not all) identifiers include both types of characters, though the check digit is always a number.

What the numbers and letters together provide is an essentially inexhaustible supply of possible identifier combinations.

BEHIND THE SCENES
What isn't as visible but is equally critical to the securities industry, regulators, and others who use the CUSIP system is the description that's created at the same time as the identifier. It contains all of the relevant information needed to differentiate a particular issue from every other one. For example, the description of the Apple fixed income security identi-

fied as AL includes, among other elements, the type of debt it is, the 3.85% interest rate it pays, and the May 2043 maturity date—things the AL by itself doesn't reveal.

EXPANDING THE SYSTEM
To meet the security industry's request for a nine-character identifier that incorporated the intelligence of a CUSIP but would be applied only to securities that trade outside the United States, CGS developed the CUSIP International Numbering System (CINS) in 1988. The two identifier systems are identical except that the first character of every CINS is a letter that represents the country or region where the security is registered.

ISSUER — **ISSUE** — **CHECK DIGIT**

68217A — 10 — 3

The first six characters in the sequence uniquely identify an individual issuer, placing it in the appropriate position in a single alphabetic listing of issuers. This segment of the CUSIP can be used over and over, as the issuer adds new instruments to its roster of offerings.

With few exceptions, the first three are always numeric, and the last three may be numbers or letters. So the first issuer in the alphabetic list is designated 000002, the second 000003, and so forth.

These two characters are used to indicate the type of issue and the order in which it was issued. For example, a company's first equity offering, such as its common stock, is always identified as 10 and subsequent issues, such as preferred stock or different classes of stock, as 20, 30, and so on, using the 10s position. Rights or warrants on an issue are designated in the ones, or units, position, as in 11, or 22.

The identifier for a fixed income issue may be two letters, one letter followed by a number, or one number followed by a letter. When the order is alphanumeric, the letter references the month and the number references the year of issuance. Each bond issue with a separate rate and/or maturity date is assigned a separate identifier. However, general obligation municipal bonds with the same issue, maturity dates and rate normally have the same identifier.

The check digit is the complement of the final number of the sum of the numbers in the identifier when it is calculated using the Modulus 10 Double Add Double technique. For example, if the check digit is 2, the final number of the sum of the digits is 8. What makes them complements is that 2 and 8 equal 10 as do 3 and 7 or 4 and 6.

SETTING THE CRITERIA
In establishing the logic and conventions for creating CUSIP identifiers, the CUSIP Committee focused on several key requirements, including simplicity, flexibility, efficiency, and extensibility.

Specifically, the identifier had to:

- Use as few characters as possible
- Meet current as well as future operating requirements including making CUSIPs machine-readable
- Enable users to adapt identifiers to internal processing, communications, and document systems

- Allow users to apply identifiers to instruments not covered by the CUSIP system

ACCESSING CUSIP
Users can explore the universe of CUSIP identifiers using the look-up and download capabilities of CUSIP Access. Additional data is included for new CUSIP issues, and searches can be refined by specific criteria such as issuer type or interest rate for greater efficiency. All six-character CUSIP issuer identifiers are mapped to their 20-character legal entity identifier (LEI).

AVOIDING ERRORS
The letters "I" and "O" are never used in CUSIP identifiers to avoid the possible confusion with the numbers '1' and '0'.

A CUSIP Life

A CUSIP identifier is a financial instrument's lifelong companion.

When a CUSIP is issued, it takes on a life of its own. With few exceptions, the identifier is inseparable from the single security to which it is linked. Those exceptions occur in the case of short-term issues that remain in the market for less than a year. Then the same CUSIP may be reused to represent the next generation of the same security.

As identifiers have been assigned to a growing list of instruments in multiple asset classes, new features have been incorporated in the standard issuer/issue construct to make it easy to distinguish security types at a glance.

For example, all equity option identifiers have a C (for call) or a P (for put) in the third position of the CUSIP. And the CUSIP for a federal TBA mortgage pool looks like this: 01F0305A6. The first two characters are the agency product code and the third identifies the federal agency that is the issuer. The next five show the coupon rate, the maturity, and settlement month. Last is the check digit.

1

PRESENT AT CREATION
A corporation, government, or other entity about to issue a new financial instrument applies online for a CUSIP, choosing the appropriate application form on the CUSIP website and affirming the request is legitimate. With the application, the issuer also submits the required supporting documents electronically.

If the new instrument is an equity, for example, the documentation is the preliminary prospectus, familiarly known as the **red herring**.

After determining that the instrument is eligible, CGS verifies the submission and supplies the 9-character CUSIP identifier, along with the issuer and issue descriptions. In some cases, a 12-character ISIN is also included. All of this information is added to the CGS database.
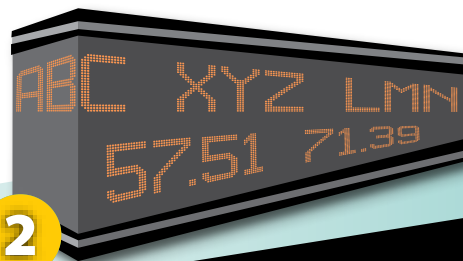
2

READY TO TRADE
The new stock is either listed on an exchange or traded OTC. Either way, it's identified by its CUSIP. If the stock is listed, it will also have a ticker symbol of one to five letters that, while unique, has no imbedded information, although it may be a truncated form of the issuer's name.

3

CHANGING HANDS
As a stock is traded in the marketplace, brokers use the CUSIP to identify the stock in their buy and sell orders and the confirmations sent to investors. The firms' back offices use the identifier to process orders internally. Any orders that aren't matched internally are forwarded to the Depository Trust & Clearing Corporation (DTCC) for clearance and settlement.

Throughout this totally automated multistep process, CUSIP is the language in which securities are matched and netted down before being exchanged for payment. In the final step, DTC updates its electronic records to show the change of ownership.

During this transfer of ownership, it's noteworthy that virtually no security mismatches, in which the stock being sold is different from the stock being bought, ever occur. This accuracy is directly attributable to each security's unique CUSIP identifier.

4

CUSIP AT YOUR SERVICE
When you own a stock, you expect your dividend payments to be deposited to your account—or used to buy additional shares through a dividend reinvestment program—on the payment date. In large part, your expectations are met consistently because the stock's CUSIP makes it easy to direct those amounts to the right accounts.

For the same reason, your proxy materials arrive, and you can cast your vote on the company's board and various proposals.

Both of these functions fall under the heading of asset servicing. So does updating ownership records in the case of stock splits and other corporate actions that impact shareholders but don't alter the company's name or capital structure.

5

FADING FROM VIEW
When a stock with a CUSIP identifier no longer trades—which might be the case if the company is acquired, for example—or a long-term bond matures, the identifier is retired to a quiet life in the CGS archives. There, it becomes part of the historical record of the financial marketplace.

YOUR ACCOUNT

BUY

SELL

CUSIP

EXCEPTIONS TO THE RULE
While a security and its CUSIP are often paired for life, that's not always the case.

An equity issue, such as common or preferred stock, may need a new CUSIP as the result of a corporate action. For example, if the issuer's name changes, whether to update the brand or through a merger or acquisition, it frequently is in a new position in the alphabetic list of issuers. A reverse split also requires a new CUSIP, though a conventional, or forward, split usually does not.

With debt issues, a new CUSIP may be required if the debt is listed with the NYSE and there's an application to list the debt under a new name.

Whatever the reason for the change, when the replacement identifier is issued, the CGS analyst updates the CUSIP file to cross-reference the new identifier to the one it replaced.

MULTIPLE IDENTIFIERS
There are situations in which multiple CUSIPs or both a CUSIP and a CINS are required for different portions of a single new offering. For example, when one part of the issue is offered to accredited investors and another under Rule 144A, each has a separate CUSIP. If there is a Regulation S portion of the offering, it is assigned a CINS. There is a limit, though: a total of four identifiers can be issued for a single offering.

CUSIP.com Application

Prospectus

ABC XYZ LMN
57.51 71.39

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Doing Business

CUSIP provides identifiers, data, and services to the financial community.

CUSIP Global Services (CGS) issues and distributes CUSIP identifiers on behalf of the American Bankers Association (ABA). In keeping with its mission to focus on the most pressing needs of the financial services community, CGS interacts with the industry in a variety of ways, by:

- Assigning unique identifiers to eligible issues
- Creating databases and populating them with issuer and issue information
- Maintaining, updating, and distributing the databases to financial institutions and data vendors
- Expanding the roster of instruments that are assigned identifiers
- Pursuing new initiatives and alliances both at home and abroad

The common goal that links these endeavors is interoperability. Simply stated, that term means users can migrate from one supplier of CUSIP data to another, or communicate with external firms, knowing they're all speaking the same language.
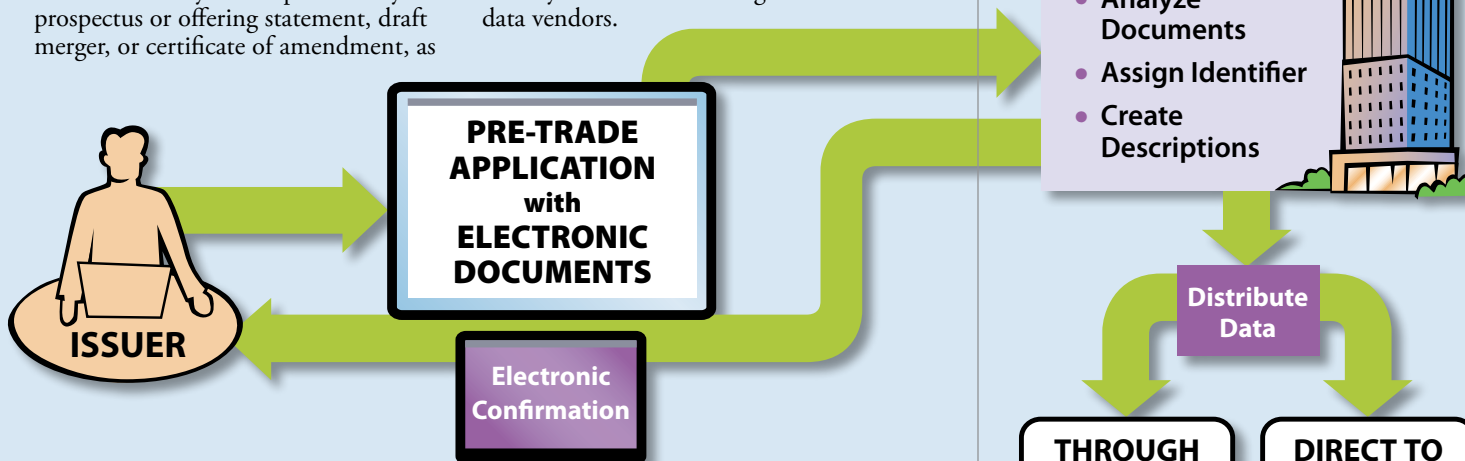
ASSIGNING IDENTIFIERS

Before a security can be sold or traded in the United States or many other markets, it must have a standardized alphanumeric identifier.

For an applicant, obtaining the identifier is a relatively straightforward process. The issuer or its attorney, underwriter, or other representative completes an online application and attaches the required electronic documents. That may be the preliminary prospectus or offering statement, draft merger, or certificate of amendment, as appropriate. CGS determines whether the issue is eligible and, if it is, assigns the appropriate identifier or identifiers and creates the description. Somewhere between 1,000 and 2,000 new identifiers are added every business day.

When these tasks are complete, CGS electronically confirms the newly issued identifier to the applicant and disseminates the information in near real-time directly to consumers and global data vendors.

GETTING A LICENSE

Like other firms with valuable proprietary assets that users want or need, CGS licenses access to the databases it creates. In that way, it protects the intellectual property of the ABA and ensures the quality and consistency of the information it provides. This includes not only the CUSIP identifiers but also the accompanying descriptions that convey the unique features of each issue.

There are two types of licenses. One is for consumers of CGS data—brokerage firms, banks, financial advisers, and issuers, among others—who are end-users of the data. The other is for authorized data vendors and information providers, such as Thomson Reuters or Morningstar.

With an appropriate license in place, consumers may choose to receive the data directly from CGS or indirectly from an authorized data vendor. Either way, the agreement is with CGS and the cost for the license is the same. And a single license allows the consumer to receive CUSIP data from any number of authorized vendors.

SIGNING AGREEMENTS

The agreements CGS makes with individual licensees are determined by three specific criteria: the number and location of its business lines, the number of securities it wants to access from the databases, and the way it plans to use the CUSIP data. The licensee provides this information by completing a Use of Service Statement that's available on the CUSIP website (www.cusip.com/cusip/cgs-license-fees.htm).

The site also provides examples of the fees that different categories of licensees pay along with detailed explanations of how the fees are set, FAQs about licensing policies and fees, and a calculator for estimating the potential cost of a license.

The fees are used to support continued investment in upgrading CGS data distribution systems and pursuing new initiatives to extend the role of intelligent securities identifiers in fostering market liquidity.

ADDING ALLIANCES

As new instruments have been introduced to the market or become major players in investment portfolios, CGS has extended its identifier and descriptive services to incorporate those asset classes into the CUSIP identifier system. These include mutual funds, syndicated loans, equity options, hedge funds, and, most recently, private placements.

In most cases, increasing scope has meant partnering with subject matter experts. In the case of syndicated loans, that affiliation is with the Loan Syndication and Trade Association (LSTA). The partnership for providing sequentially generated CUSIPs for each strike price of US and Canadian equity options contracts is with Euromoney TRADEDATA. And, CGS has worked with Delaware Depository to provide CUSIPs for certain physical precious metal products, such as gold and silver bars and coins.

ISSUER → **PRE-TRADE APPLICATION with ELECTRONIC DOCUMENTS** → **Electronic Confirmation**

CGS
- Analyze Documents
- Assign Identifier
- Create Descriptions

Distribute Data → **THROUGH VENDORS** / **DIRECT TO CONSUMERS**

COST RECOVERY

Assigning identifiers carries a one-time cost-recovery fee, which is due at the time of application. In 2019, this fee is $178 for a single identifier in most cases. The fee may be less for some asset classes, such as short-term issues, or it may be waived entirely. If an issuer requests multiple identifiers at the same time, the first costs $178 and each additional one is $23.

Firms whose issues have been assigned CUSIP identifiers participate in, and pay a cost-recovery fee for, an annual certification review. The review is part of the CGS maintenance program, which helps to ensure the accuracy of the information in the databases.

FEE-FREE USE

Users who access CUSIP data in a read-only format from a vendor do not need a license or pay a fee to CGS. Users who download or otherwise access 500 or fewer CUSIPs are similarly exempt from fees. There's a no-fee service that municipal bond issuers can access for disclosure reporting purposes mandated under SEC Rule 15c2-12, and an ISIN web-based look-up service that global users of ISIN data may access without charge, subject to the terms of a use agreement with CGS.

CGS at Work

Close collaboration with the financial industry guides CGS operations and policy.

The core responsibilities of the CGS workforce, whose primary focus is securities and entity identifiers, include:

- Issuing CUSIP, CINS, and ISIN identifiers
- Interacting with customers to answer questions and resolve outstanding issues relating to those identifiers
- Ensuring the accuracy and reliability of the identifier information that CGS provides in its library of databases

CGS
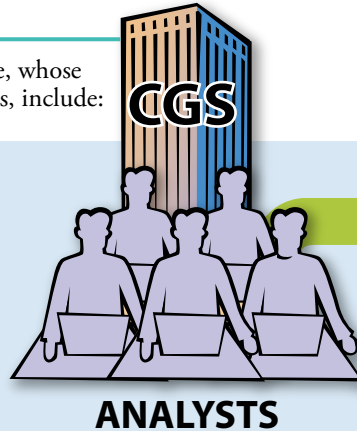
ANALYSTS

CREATING A NEW CUSIP

When an application for a new identifier arrives at CGS, an experienced analyst confirms that the application is complete and the necessary primary source documents—a bond's offering circular or equity's preliminary prospectus, for example—have been provided.

Next, the analyst focuses on the issuer's name. The first six characters of every identifier—the first three are generally numbers and the next three are either numbers or a combination of numbers and letters—are determined by the sequential position the issuer holds in the single alphanumeric file of issuers. Amazon's issuer identifier, for example, is 023135 and Xerox's is 984121.

If the issuer is a returning customer, its identifier is already set. If the applicant is a new issuer, however, the alphanumeric file is adjusted to accommodate another entry, and the new identifier is created. For example, Facebook has the issuer identifier 30303M, which incorporates a letter. Thanks to gapping factors that were built into the system at its creation, there's always space to fit in another issuer. In addition, the sequences 000900 to 000989 have been reserved for future use if all the existing openings are filled.

Finally, the analyst determines the two-character issue identifier that follows the issuer designation by examin-

ing the source documents in great detail. Part of the challenge is the complexity of the documents that the issuer or its agent submits. So, an analyst must evaluate them before coming to a final determination of the issue's identity. As one example, a question may be raised about whether a structured product should be classified as equity or debt.

An analyst must also determine if a company is offering two versions of a bond issue. If so, both versions are assigned identifiers. For example, a Kraft Food 5% note maturing 6/4/2042 was assigned CUSIP identifier 50076QAC0 for the 144A version of the note and 50076QAD8 for the conventional note.

CRAFTING A DESCRIPTION

The analyst's next task is to create a description of up to 120 characters in up to four lines of 30 characters each. The first element is the CUSIP identifier, the second an abridged version of the issuer's name. Third is a description of the issue.

The initial word in an issuer's name, which may be rearranged to comply

1 HOUR

FILLING A NEW ROLE
CUSIPs are an increasingly significant resource in an era of expanding compliance requirements, something the original mandate to develop the identifier system couldn't have anticipated. These direct-from-the-source identifiers provide issuers and regulators with the assurance of absolute accuracy.

1 ISSUER NAME

3 4 5 3 9 7 W B 5

2 ISSUE IDENTIFIER

3 4 5 3 9 7 W B 5

3 ISSUE DESCRIPTION

```
345397WB5
_____
FORD MTR CR CO LLC
_____
FORD Mtr Cr Co/4.207 NT 20160415U
_____
_____
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4

Electronic Confirmation

INDUSTRY DISSEMINATION

with the standardized format and use of abbreviations that CGS has established, determines its placement in the alphabetic list of issuers. For example, City of Saint Paul, State of Minnesota becomes ST PAUL MINN and J.C. Penney Corporation, Inc. becomes PENNEY J C CORP INC.

The issue description, whose elements are extracted from the source materials, provides a succinct snapshot of the stock, bond, or other security. Generally speaking, bond descriptions

tend to be longer than those for stocks since there are more variables to account for—not only the rate and maturity date but also where the issue fits into the corporate structure.

When the task is complete, the analyst sends an email confirming that the CUSIP is ready and forwards the new identifier and its description for dissemination to the industry. This confirmation is often the first public indication of the imminent arrival of a new security in the marketplace.

WRAPPING UP LOOSE ENDS

Issuers typically apply for CUSIP identifiers before the issue begins to trade to ensure everything is in place as soon as the offering is approved. This means some final elements may be missing in the supporting documentation. For instance, a bond's interest rate or a preferred stock's dividend may not have been set.

In that case, the email confirming that a new identifier is ready reminds the issuer to forward the final documentation to CGS so that the missing information can become part of the record. That information is normally available within about seven days.

One challenge is that some underwriters may not be diligent about follow-ups. The most tardy, who may let weeks elapse despite several reminders, end up on a non-responsive list. However, their identifiers are usually safe. With few exceptions, CGS doesn't rescind identifiers once they've been issued.

CGS GOVERNANCE

An independent Board of Trustees provides guidance for CGS, which is an autonomous entity within FactSet. The 18 trustees are drawn from the global financial services industry, perpetuating the collaborative effort that was essential to the creation and early adoption of CUSIP identifiers.

Today, the trustees help to ensure that CGS is not only responsive to the financial community's current needs but proactive in anticipating and providing solutions for future ones.

A Platform for Capital Markets

The most reliable information comes directly from the source.

The information embedded in CUSIP identifiers and detailed in the accompanying descriptions is the substance of the extensive—and always expanding—databases that CGS makes available to market participants.

DATA FEEDS

CGS packages its data in three core files for delivery to a variety of users.

- The CUSIP Master File is the primary source for information on 380,000 US and Canadian issuers and more than 11 million issues as of August 2019. The file is available in its entirety or in eight subsets, including All Equity, Muni Debt, and CDs.

- The ISIN Master File is the direct source for all the CGS-issued ISINs for US securities and securities issued in certain other countries that are traded across international borders. In addition to the full file, there is an Equity subset.

- The CINS Master File includes securities trading outside the United States whose CUSIP-like 9-character identifiers, assigned by CGS, include issuer as well as issue information. The reference data also includes the ISO currency in which the issue is denominated and the country where it is domiciled. This file, too, has an Equity subset.

MEETING MARKET NEEDS

As an additional convenience, CGS provides a number of specialized Database Services to meet specific needs. Accessing the CUSIP Pulse service, for example, means that subscribers receive near real-time notices of recently generated and distributed CUSIPs as well as updates on corporate actions and withdrawn or suspended issues.

Two other services illustrate the ways in which the data can be customized. CGS 144A links related issues from the same private placement offering document, while Associated Issuers cross-references issuers whose CUSIPs have changed as the result of a corporate action or who have had more than one

USING THE DATA

The comprehensive, authoritative, and regularly updated record of publicly traded securities that these Master Files provide is an invaluable resource for the financial marketplace. Subscribers can easily search the databases, for example, for newly assigned identifiers, for all of an issuer's securities, or for detailed information on specific securities.

In addition, the data form the skeleton of many individual security master files that US financial institutions create and maintain. These files document the securities the institutions hold in their own and clients' accounts and also serve as a library of investing opportunities. For example, a broker-dealer trying to track down a fixed income investment with specific features for a client can search the file for issues with a specific maturity date, coupon rate, currency, or a number of other characteristics included in the description.

base CUSIP assigned because of high issuance volume. Both services provide a market perspective that's invaluable for effective risk management.

The Portfolio and Validation services allow subscribers to check the accuracy of their portfolios against the CGS source files, helping to ensure that the securities information they have is accurate. Data corruptions can occur when the information is derived from other than the authoritative source, and firms can mistake identifiers that have been generated in-house over the years for authentic CUSIPs.

IDENTIFYING THE LINKS

CGS clients who participate in cross-border transactions need to be able to link a security's domestic and international identifiers quickly and accurately. CGS Identifier Solution Services allows them to do just that, enabling the mapping of millions of debt and equity securities across global and local exchanges, reducing errors, and facilitating trading and settlement.

The CUSIP Master File with ISINs covers all major North American based equity and debt securities with a CUSIP and ISIN issued concurrently by CGS. It's valuable for both US and globally oriented organizations that want access to issuer and issue reference data.

The CINS Master File with ISINs includes all CINS identifiers assigned or generated by CGS for securities traded or settled outside the United States and Canada whose ISINs are not necessarily assigned by CGS. Clients who use this service are seeking issuer/issue identifiers that include standardized descriptions.

The Global ISIN Data (INC) File is designed for ISIN-driven clients who trade across national borders and require data directly from the source assigning the ISIN. The ISIN is also linked to its CUSIP or CINS for organizations who need to cross-reference to more than one globally recognized identifier.
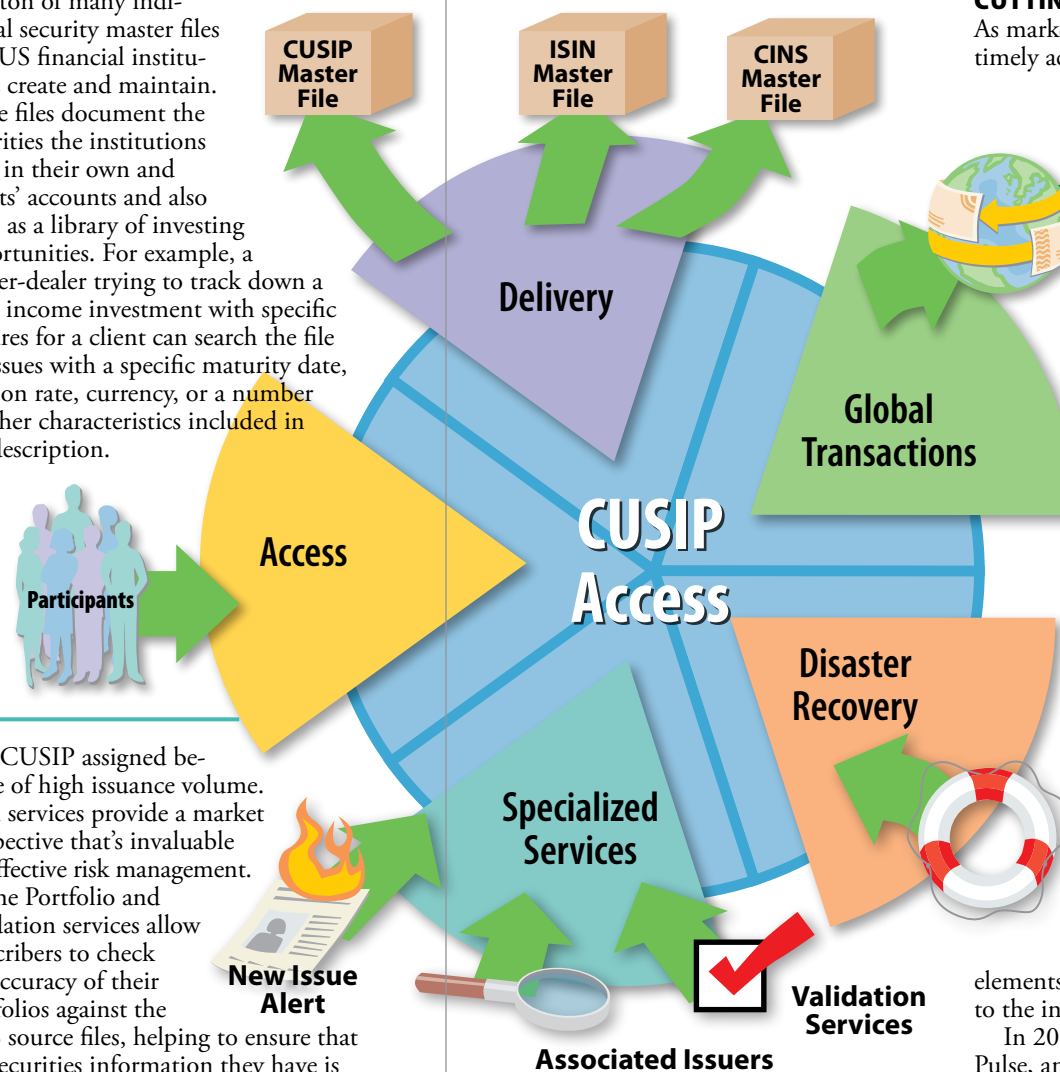
CUTTING EDGE TECHNOLOGY

As markets evolve, the need for timely access to greater amounts of information continues to escalate. In anticipation of changing market realities, CGS has continued to introduce technological innovations that increase accessibility to CUSIP services.

For example, the CUSIP REACH program has streamlined issuance of certificate of deposit identifiers, allowing CD brokers to respond more quickly to client requests or rapidly changing market conditions.

Similarly, CUSIP FIRST, a financial instrument request system, gives requesters the ability to fast-track new bulk CUSIP issuance in 15 minutes or less. The XML technology allows underwriters to submit their requests by extracting data already captured on their internal systems. CGS responds by providing the identifiers and standardized data elements and disseminating the data to the industry.

In 2018, CGS launched CUSIP Pulse, an enhanced version of its heavily used New Issue Alert Service, which provides automated, near real-time updates on any changes to the CUSIP database.

CUSIP Master File

ISIN Master File

CINS Master File

Delivery

Global Transactions

CUSIP Access

Access

Participants

Disaster Recovery

Specialized Services

New Issue Alert

Validation Services

Associated Issuers

ALL ARE WELCOME
As a dedicated standards practitioner, CGS is obligated to make its databases available under license to any and all market participants on fair and non-discriminatory terms.

Facilitating Capital Flows

A CUSIP identifier expedites fundraising.

Public and private entities that need a cash infusion to fulfill their business or operational objectives go to the capital markets to raise money from people and institutions seeking to invest.

Investors are willing, and sometimes eager, to make their capital available because they expect to realize a profit, either by purchasing equity shares that could increase in value or pay dividends, or by lending the issuer money that would earn the investor interest.

Capital tends to flow most freely when investors are confident that:

- The economy is relatively stable
- The markets are liquid and well regulated
- Clearance and settlement is efficient

WHAT THE IDENTIFIER ADDS

Once the CUSIP or CINS is assigned, it continues, with few exceptions, to identify that security—stock or bond—from the initial offering or sale through any number of transactions, as long as the security trades in the marketplace. That means there is virtually no possibility that a particular issue will ever be confused with another security or product.

This systematic use of standardized reference data also creates enormous efficiencies. For starters, it enables completely electronic transactions to take place across different platforms and trading exchanges. In addition, the CUSIP identifier serves to smooth the process of raising capital in several key ways:

- It provides reasonable assurance that the issue has been identified as a valid, not a rogue, offering, though CUSIP takes no position on whether or not it is a good investment.
- The description that's created simultaneously with and accompanies the identifier contains the relevant information an investor needs to know about the issue.
- When the issue is traded in the secondary market, the identifier helps to assure the accuracy and speed of the clearance and settlement process.
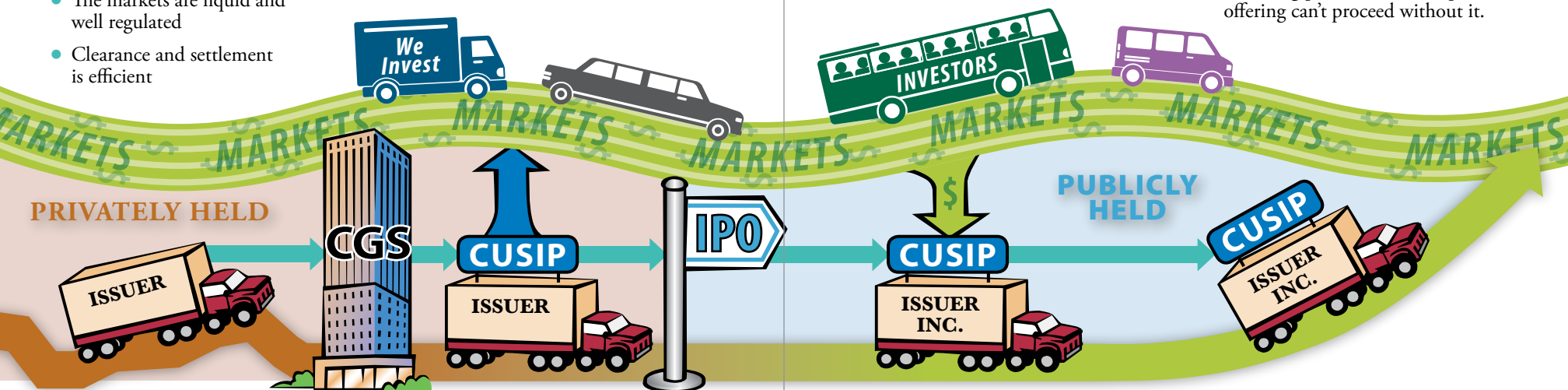
Finally, the CUSIP identifier enables the timely payment of dividends and interest to the accounts of the beneficial owners of the issue, whether or not that issue has changed hands in the secondary market.

SMOOTHING THE PATH

Whether they decide to issue equity or debt, organizations want to raise capital quickly and efficiently, with as few hiccups as possible along the way. Typically, the amount an issuer manages to raise receives considerable media coverage—especially in the case of IPOs or if the capital raised is significantly larger or smaller than anticipated. Yet relatively little, if any, attention is paid to the underlying trading, clearing, and settlement process that makes raising capital seamless and efficient.

Even less attention is paid to the unique CUSIP identifier assigned to each issuer and issue before it reaches the market. But it is this identifier and associated information that expedites the capital-raising process and facilitates the flow of money from those who have it to invest to those who will put it to work.

Securing a CUSIP and the related descriptive data is a critical step in the fundraising process. In fact, a public offering can't proceed without it.

PRIVATELY HELD — **PUBLICLY HELD**

ISSUER → CGS → CUSIP ISSUER → IPO → CUSIP ISSUER INC. → CUSIP ISSUER INC.

EQUITY OR DEBT

Public corporations can raise capital by issuing equity or debt. When a company sells stock, or ownership shares, the money never has to be repaid. But management is held responsible for meeting investor expectation by realizing profits that will hopefully result in a higher stock price and perhaps dividend payments. Alternatively, the company can issue bonds and repay the principal plus interest over time. Though there are pros and cons to each approach, both can provide the funds that companies are seeking.

Governments and agencies, on the other hand, have nothing to sell, so they must depend on bonds to raise the capital they need. They issue bonds of various terms and denominations, from a year or less to 30 years or more.

GOING PUBLIC

A company typically makes the transition from a private to a public entity to gain access to far more capital than it has been able to raise from private sources. But before the company can proceed with an initial public offering (IPO) of its stock in the marketplace or issue registered bonds, the company must apply for—and obtain—a unique, nine-character CUSIP identifier and related descriptive data from CGS. For securities issued outside the United States or Canada, the company must obtain CINS and

description data from CGS.

Similarly, the Municipal Securities Rulemaking Board (MSRB), which governs trading of municipal bonds, requires that most privately placed municipal bonds have CUSIP identifiers, just as publicly traded munis do. Requiring the identifier adds greater transparency to these transactions and boosts investor confidence in, though does not guarantee, the validity of the issue.

TAKING THE MARKET PULSE

CUSIP indicators play another role in the capital markets, one that wasn't part of the impetus to streamline clearance and settlement by assigning unique identifiers. Since all securities must apply for and obtain a CUSIP, the pace of applications for new identifiers can be an early indicator of debt and capital market activity.

In fact, you could consider the monthly CGS Issuance Trends Report a sentiment indicator, providing a sense of what issuers, both in the United States and internationally, are thinking about the prospects for raising capital in the current political and economic environment.

A World of Standards

CUSIP is a crucial component in the evolving system of security identifiers.

ANNA CONTROL

CUSIP is an integral element in the expanding worldwide commitment to uniform, unique securities identifiers. This centrality is due in large part to the accuracy and flexibility of its underlying system. But it also reflects the pivotal leadership role CGS has played in working with other organizations to ensure fast and accurate clearance and settlement and reduce systemic risk in financial markets.

In 1992, for example, CGS, the US National Numbering Agency (NNA), joined forces with 21 other NNAs to found the Association of National Numbering Agencies (ANNA). An NNA is the organization, often operating an exchange or central securities depository (CSD), that issues securities identifiers in its home country.

ANNA AT WORK
In addition to the ISIN, ANNA has been the force behind the creation of:

- The Derivatives Service Bureau (DSB), a near real-time engine for allocating ISINs to over-the-counter (OTC) derivatives
- A consistent and uniform classification of financial instruments (CFI)
- A uniform approach to standardize short names and descriptions for financial instruments (FISN)

Four NNAs, including CGS, also act as substitute numbering agencies (SNA) to create ISINs for securities issued in countries that have not established independent NNAs.

Today, more than 120 nations are either full ANNA members or partners of the organization. CGS and SIX Financial Information, which is the Swiss NNA, operate the ANNA Service Bureau (ASB), the organization's centralized data hub.

AN ID AT THE BORDER
The ISIN system uses a 12-digit alphanumeric code that uniquely identifies a security across national borders. ISINs are issued by the NNA or SNA for the country where the security's issuer is registered rather than by a centralized authority. Using these established agencies capitalizes on local expertise, which can be shared with the global marketplace.

The first two letters of the ISIN identifier, in most cases, indicate the country of domicile. The next nine characters follow the local NNA's protocol for security identification in its home market. For example, in the United States, it's CUSIP. The final character is a check digit. If an NNA's local identifier is shorter than nine digits, zeros are added following the country code to make all ISINs a uniform length.

Country Code

CUSIP

Check Digit

ISIN
US 037833100 5

CUSIP: A COMMON LANGUAGE

LEI: A NEW LAYER OF IDENTITY
A recent international identity initiative is focused on:

- Creating a unique legal entity identifier (LEI) for each entity involved in a financial transaction
- Making that data available to market participants, regulators, and the public

LEIs are designed, first and foremost, to provide transparency, which, in this context, means easy and timely access to comprehensive, reliable information about the public and private entities that participate in financial transactions. Sharing this information is relatively simple because it's communicated in the common language of letters and numbers.

LEI

WHAT'S IN A NAME
The second ANNA initiative, developing a uniform way to classify financial instruments, was critical to the success of ISIN. In the absence of a consistent naming convention, instruments with disparate features were often described using similar terminology. Similarly, securities like preferred stock might be identified in one market as being equities and another as fixed income.

In the CFI system, every financial instrument is identified by six alphabetic characters. The first character designates one of six possible asset classes, the second character indicates the appropriate group within the category, and the remaining four characters detail specific attributes of the issue. This work is done by the NNA that also assigns the security's ISIN—for example, CGS in the United States.

CFI guidelines also attempt to anticipate potential problems and provide direction on how to resolve them. As one example, the guidelines specify that if an instrument can be legitimately classified in more than one category, it should be assigned to the first one in the list of six where it could belong.

An LEI is a 20-character, alphanumeric code with a uniform structure for identifying the name, address, and other features of an entity involved in a securities transaction. But unlike other identifiers, the characters in the LEI—with the exception of the first four, which denote the local operating unit (LOU) that issued it—are randomly assigned and have no embedded intelligence.

LOUs are encouraged to employ a CUSIP-style registration system and use reliable sources to verify the information an entity provides in its application. There's a periodic recertification–at least annually–for each LEI to confirm the accuracy of the system's information. Applicants pay cost-recovery fees for both issuance and recertification.

LEI: 5493000WD
H6AOLHDJD55

WHY NINE?
In developing the ISIN guidelines, ANNA chose nine as the length of the identifier's core component because that was the longest of the existing identifiers that any of its members were using.

WHAT, NOT WHERE
One critique of the ISIN system is that it does not identify the exchange or exchanges where a security is traded. That can be an important data element, as pricing is likely to vary from one trading venue to another.

However, the decision to not identify the exchange was a conscious choice made at the time the system was established. The reason was to ensure that the identifier would be fungible, or interchangeable, across markets.

When venue is an issue, any questions can be resolved by combining an ISIN with the relevant Market Identifier Code (MIC), the standard four-character code for identifying exchanges and other markets where trades are executed and settled.

Asset Class

Group

Attributes

CFI
E S VUFR

Mitigating Risk

Security identifiers can play a critical role in managing systemic risk.

S.S. CUSIP
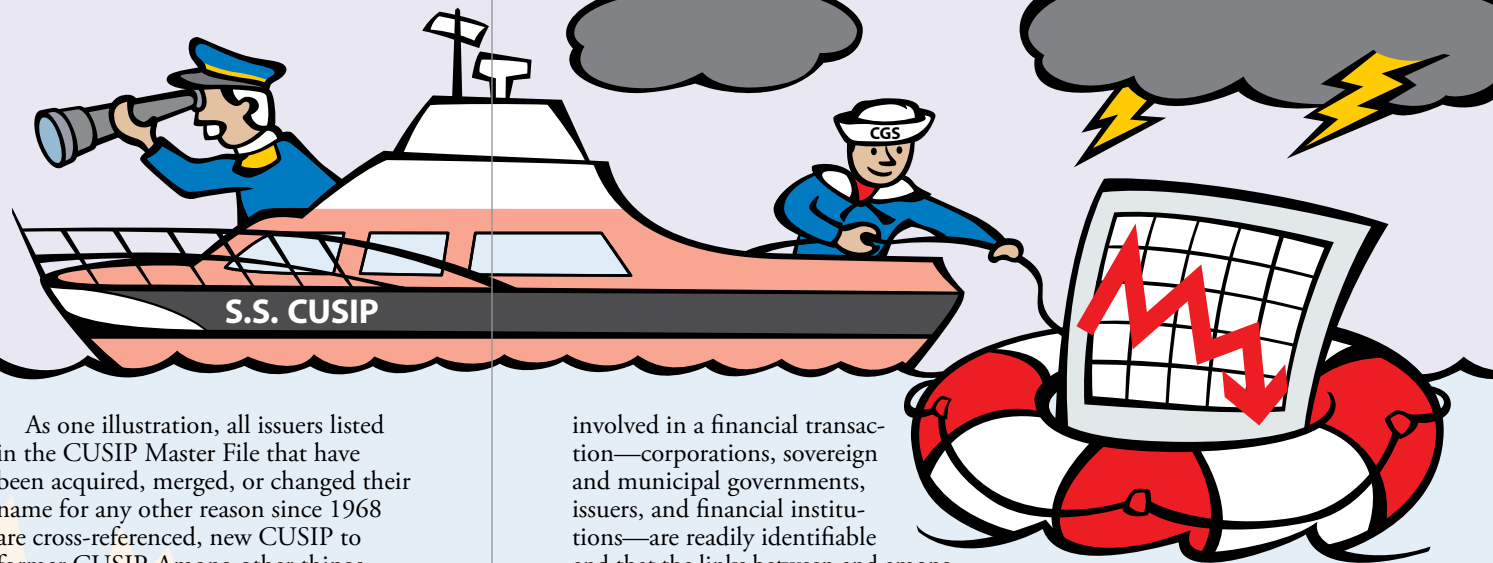
CUSIP's initial contribution to the US financial services industry was creating security identifiers that provided a fresh start for a system whose operations were overwhelmed and whose reputation was at risk. Once publicly traded issues had their own unique identities, the problems with accuracy and efficiency that had plagued clearance and settlement essentially disappeared.
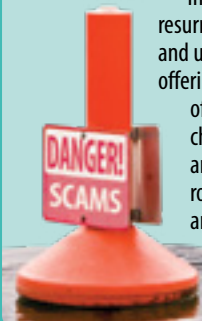
But that was only the beginning. CUSIP identifiers continue to be an important force in managing risk. Corporate back offices use these CUSIPs and the related descriptive data to manage their internal record-keeping and to file regulatory and tax reports. Custodians use CUSIPs to keep track of the instruments they hold for investors so that they can assure that payments are allocated accurately.

Asset managers, banks, brokerage firms, and other market participants depend on the CUSIP databases to support their asset allocation objectives, evaluate the financial obligations of potential counterparties, and identify relationships between companies and their affiliates.

As one illustration, all issuers listed in the CUSIP Master File that have been acquired, merged, or changed their name for any other reason since 1968 are cross-referenced, new CUSIP to former CUSIP. Among other things, this helps to clarify the connections between seemingly unrelated entities.

In another example, CUSIP identifiers highlight the relationships between some companies and their subsidiaries, such as Ford Motor Company and Ford Motor Credit, whose issuer identifiers share the first four characters: 3453. The same is true for GE and GE Capital, whose issuer identifiers both begin with 3696. These connections may provide useful intelligence when owning debt issues of both parent and offspring could create a more concentrated and thus riskier portfolio.

MORE RISK REDUCTION
A CUSIP identifier, while not a mark of approval or certification that a financial instrument is a valid security or otherwise an appropriate investment, also helps mitigate risks that US investors and financial institutions could face from rogue issuers or suspect issues. CGS experts are always on the lookout for red flags that might indicate that something is amiss in an application. The warning signs can vary, but, drawing on their extensive operational experience, CGS analysts know what to look for, can spot potential problems, and are able to prevent suspicious offerings and attempted scams that may arise from reaching the marketplace.

REDUCING GLOBAL RISK
Today, CGS is also a key player in the multipronged effort to prevent repetition of the systemic crisis of 2008 with its devastating consequences for the global financial community. One of the main goals is to ensure that all entities

involved in a financial transaction—corporations, sovereign and municipal governments, issuers, and financial institutions—are readily identifiable and that the links between and among them are known. The tool of choice for this task is the legal entity identifier (LEI).

The involvement and support of CGS and other NNAs is essential for facilitating widespread adoption of the LEI system. These organizations add local knowledge of issuers and financial communities, can capitalize on their experience in creating unique identifiers using official documentation, and are able to integrate the LEI into existing identifier infrastructures.

The US LOU is the Global Markets Identifier (GMEI) Utility, which was developed by the DTCC in collaboration with SWIFT. Through a strategic alliance with the GMEI Utility, CGS offers market participants requesting a CUSIP or CINS the opportunity to apply for a LEI as part of the same process.

SHARING THE LEI
The LEI system will be most effective in mitigating risk when a party to a financial transaction is able to research its exposure to a potential counterparty—including all its related entities—before entering into a contract. This is already happening.

LEIs are included in CGS database files and the CUSIP Access web portal. In addition, CGS LEI Plus maps the LEI to existing legal entity

identifiers, such as the CUSIP or ISIN issuer designations, free of charge to CUSIP customers.

And the Global LEI Foundation (GLEIF) has a free comprehensive LEI database under development.

PRIVATE MARKETS
A similar trend is increasing demand for reliable data reference standards in private markets. As new technologies, alternative ways to raise capital, and non-regulated markets play an increasingly prominent role in global financial markets, the value of standardized identifiers and what they provide—transparency, efficiency, risk management, and above all liquidity—is likely to continue to soar.

For example, the expansion of alternative trading systems (ATS), which match buyers and sellers, the growing use of initial coin offerings (ICO), which allow start-ups to bypass traditional capital-raising to secure funding directly in blockchain-driven markets, and the continued growth of private equity markets have all fueled the need for standard identifiers.

Just as achieving true transparency in the derivatives markets now requires verified, computer-readable IDs that communicate seamlessly across borders, languages, and technology platforms, establishing trust in these new lightly regulated—or sometimes unregulated—markets is increasingly coming down to a need for standardized reference data.

While the systematic and intelligent tagging of underlying data may not be the glorious or most talked about aspect of the fintech innovation, it is fundamental to its ultimate success.

DEVIOUS INTENT
In some scams, unscrupulous market participants intend to use their security offering as collateral to obtain large loans. In others, manipulators resurrect a retired identifier and use it with a fake offering to provide an aura of legitimacy. That's why checking the validity of an issue's CUSIP is a routine part of the CUSIP analyst's due diligence.

DANGER! SCAMS

WHO'S ON FIRST?
In the words of Matthew Reed of the Office of Financial Research at the US Department of the Treasury, LEIs help answer the questions:
- Who is who?
- Who owns who?
- Who owns what?

Alternative trading systems (ATS) collect, display, and execute buy and sell orders electronically. The trading prices and volume are transparent, as they are on stock exchanges. However, the transactions are handled directly between institutional investors, not through a middleman such as a market maker or specialist.

Association of National Numbering Agencies (ANNA) brings together national numbering agencies representing more than 120 nations to facilitate global securities trading, clearance, and settlement. CGS and the Swiss NNA jointly operate the ANNA Service Bureau, the organization's centralized data hub.

Classification of Financial Instruments (CFI-ISO:10962) is a system for identifying securities. It uses alphabetic characters to indicate asset class, asset subgroup, and four specific attributes. CFI was developed by ANNA to provide a consistent, uniform classification system that would function effectively across national borders.

Clearance and settlement is the two-step process of confirming the details of a securities transaction and finalizing the transfer of ownership and payment using the security's CUSIP identifier.

CUSIP, an acronym for Committee on Uniform Security Identification Procedures, is the unique nine-character identifier assigned to each security issued in the United States or Canada. The identifier embeds intelligence on the security's issuer and issue and is linked to a detailed description of the issue.

CUSIP Global Services (CGS) is the overarching entity that issues CUSIP identifiers and security descriptions, licenses and distributes CUSIP data, offers an evolving menu of database services, and pursues new initiatives domestically and internationally to facilitate securities trading worldwide.

CUSIP International Numbering System (CINS) is a CUSIP-style intelligent nine-character identifier for securities that trade outside the United States. A CINS differs from a CUSIP in one way: The first character of the identifier is a letter identifying the country in which the security is registered.

Dematerialization is the ongoing process of eliminating paper certificates from the securities processing cycle and replacing them with electronic records.

Derivative Service Bureau (DSB) is a near real-time engine for allocating ISINs to over-the-counter (OTC) derivatives. The identifiers help financial firms meet the new regulatory reporting requirements for OTC derivatives transactions.

Financial Instrument Short Name (FISN ISO:18774) incorporates the issuer short name and the abbreviated characteristics for the financial instrument. It has a maximum length of 35 alphanumeric characters. Unlike other ISO-standard financial instrument identification codes, the FISN is not meant to be machine-readable, but to provide a short format for essential information about a security for human use. (Also known as ISO:61667)

Immobilization means that paper stock certificates are held by The Depositary Trust Company (DTC) and registered in its nominee name, Cede & Co, rather than distributed to investors. On DTC's books shares of those securities are recorded in brokerage firm names electronically using a book-entry accounting system.

Initial public offering (IPO) is the process of taking a company public by selling shares to the investing public for the first time. Before an IPO can occur, the company must register with the Securities and Exchange Commission (SEC) and secure a CUSIP.

International Security Identification Number (ISIN) is a 12-character alphanumeric that's assigned to a broad range of securities to uniquely identify each one. This widely used system, whose first two characters indicate the country where the security is registered and next nine identify the issue, was created to facilitate global trading, clearance, and settlement. ISINs issued in the United States include the security's CUSIP.

Legal Entity Identifier (LEI) is a 20-character alphanumeric code used worldwide to uniquely identify each legally distinct entity that participates in financial transactions. Entities, in this context, may be financial institutions, corporations, or governments, in their roles as either issuer or counterparty. Each LEI, which has no embedded intelligence, is linked to reference data that includes the official name of the entity being identified, the address where it is headquartered, and where it was formed. (Also known as ISO:174427)

Market Identifier Code (MIC) is a four-character alphanumeric designation administered by the International Organization for Standardization (ISO) to uniquely identify each stock market, securities trading platform, and trade reporting facility where securities are traded and settled. A MIC can be combined with an ISIN to indicate which security changed hands and where it occurred. An updated list of MICs is published monthly by the ISO. (Also known as ISO:10383.)

National Numbering Agency (NNA) is the organization that issues security identifiers in the country where it is located. CGS, for example, is the NNA for the United States.

Netting is the process of matching a brokerage firm's purchase orders for an individual security against its sell orders for that security using the security's CUSIP identifier. The goal is to increase market efficiency by minimizing the number of transactions that must take place between firms.

Operational risk includes the internal risk posed by an organization's infrastructure or policies and the external risk relating to natural events, malfunctions, or deliberate attacks.

Over-the-counter (OTC) derivatives are individually negotiated contracts traded directly between buyers and sellers rather than through an organized intermediary such as an exchange.

Regulation S, a provision of the Securities Act of 1933, provides that securities offered and sold in offshore transactions, or outside the United States, do not have to be registered with the Securities and Exchange Commission (SEC). US issuers who would otherwise be required to register their offerings are exempt from registration when they offer nonconvertible debt securities or certain classes of preferred stock in overseas markets. These offerings must be denominated in a currency other than US dollars. CGS issues a CINS identifier rather than a CUSIP for these securities.

Rule 144A, a provision of the Securities Act of 1933, permits the offering and sale of certain unregistered equity securities when the seller who initiates the transaction is not the issuer of the security. The reseller is typically a broker-dealer who was the initial purchaser of the security, often through a private placement. These securities have restricted CUSIP identifiers, which indicate among other things the terms under which the security may be resold.

Systemic risk is the possibility that an entire inter-related system of institutions or agencies could be crippled or even collapse if one of the key components of the system failed.

TBA CUSIPs are identifiers for pools of future federal agency mortgage-backed securities where the specific securities have not yet been identified. CUSIP identifiers with a letter F, N, H, R, or S in the third position signify a TBA security. The identifier also includes the product code, coupon, maturity, and settlement month. TBA is an acronym for to-be-announced.

LIGHTBULB
PRESS ®

CUSIP GLOBAL SERVICES

Experience • Process
Technology • Innovation

CUSIP: A Common Language for Efficient Markets provides an in-depth look at the importance of a uniform language for identifying and describing financial instruments, how this language facilitates efficient and accurate trading and settlement, and how it meets market needs. The guide focuses on the pivotal role of CUSIP Global Services (CGS) in issuing reliable and trusted identifiers, distributing reference databases of issuers and issues for investors and other market participants, and mitigating market risk. *CUSIP* also describes the evolving system of international identifiers and how CGS collaborates with financial organizations at home and across the globe.