

April 28, 2014

Elizabeth Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-10990

Re: Re-Proposal of Asset-Backed Securities--File No. S7-08-10

Dear Ms. Murphy:

CFA Institute¹ appreciates the opportunity to comment on the Securities and Exchange Commission's (the "SEC" or the "Commission") re-proposal relating to Asset-Backed Securities (the "Proposals"). CFA Institute represents the views of investment professionals before standard setters, regulatory authorities, and legislative bodies worldwide on issues that affect the practice of financial analysis and investment management, education and licensing requirements for investment professionals, and on issues that affect the efficiency, integrity and accountability of global financial markets.

Executive Summary

We appreciate the decision to focus attention on the information needs of investors in asset-backed and mortgage-backed securities ("ABS" and "MBS") investors through these Proposals. As recognized in light of the 2008 financial crisis, the timing, quality and completeness of ABS and MBS offering documents, in particular, made it difficult for investors to make reasoned and diligent investment decisions. We hope that this effort will lead to a prompt ruling to implement these disclosures and offering processes to enable investors to make more-informed decisions.

¹ CFA Institute is a global, not-for-profit professional association of over 122,200 investment analysts, advisers, portfolio managers, and other investment professionals in 144 countries, of whom over 114,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 142 member societies in 61 countries and territories.

Our response herein is a reiteration of the positions we stated in prior responses to the SEC² with regard to ABS proposals. These positions, summarized below, incorporate by reference, these previous letters:

Shelf-Registration Requirements

- Shelf-registration should be contingent upon the combination of:
 - risk retention;
 - third-party review of repurchase obligations;
 - depositor's CEO certification as to:
 - accuracy of disclosures in the preliminary prospectus at the time of signing, and
 - the expectation that cash flows from the assets will service payments on the ABS;
 - filing of a prospectus at least 48 hours prior to first take down, including all representations and warranties as to the underlying assets;
 - a record of prompt filing of ongoing reports for prior offerings; and
 - inclusion of the transaction documents in the filing that gives trustees authority to appoint credit risk managers to review underlying asserts for compliance with representations and warranties when:
 - credit enhancement requirements are not met,
 - investors direct the trustee pursuant to a mechanism wherein investors can communicate with one another; and
 - the credit risk manager is not an affiliate of the sponsor, depositor or servicer.
- Mortgage-backed securities should have to meet the same disclosures requirements as other ABS offerings in order to qualify for shelf-registration status.
- We do not support shelf-registration status solely on the basis of 5% risk retention.
 - We support 5% risk retention as a tool to hold issuers and underwriters accountable for the quality of their underlying of the pool loans.
 - Nevertheless, underwriting failures in the past, even when originators retained interests in the securities they offered, suggest that risk retention does not automatically lead to higher-quality underwriting or securities.
 - Better and more timely disclosure is a more appropriate prerequisite for shelf registration.
- We support elimination of reliance on credit ratings to determine shelf-registration status.
- Repeat issuers should be permitted to shelf-register if they have provided relevant documentation about current offerings and, by reference, ongoing reports on previous offerings. And,

² Response to, "Re-proposal of Shelf Eligibility Conditions for Asset-Backed Securities and Other Additional Requests for Comment <http://www.sec.gov/comments/s7-08-10/s70810-235.pdf> submitted on 9 November 2011; Response to, "Asset-Backed Securities," <http://www.sec.gov/comments/s7-08-10/s70810-151.pdf>, delivered 20 August 2010; and Response to: "Asset-Backed Securities," <http://www.sec.gov/rules/proposed/s72104/cfai071504.pdf>, delivered 15 July 2004.

- Issues that are part of a revolving master trust structure should benefit from shelf-registration status if relevant offering documentation and ongoing reports are readily available to investors.

Further Forms SF-1 and SF-3 Requirements

- Each takedown should be accompanied by a separate prospectus containing information unique to that offering, and should be provided at least 48 hours prior to the first takedown.³
- Issuers need to describe the credit quality of the securities they are offering, the assets underlying those securities, together with the factors on which they base their assessments.
- Issuers should file a “base” prospectus, with single-issue prospectuses for each shelf offering.
- Preliminary prospectuses should include the underlying transaction agreements in substantially final form.
- Issuers should have to file a post-effective amendment to an existing prospectus to highlight changes to structural features or credit enhancements.

Additional Prospectus Disclosures

- Aggregation of data relating to the following items would serve investors’ needs:
 - distribution of assets by geographic location;
 - distribution of assets by borrower credit score;
 - distribution of assets by type of asset (i.e., for auto-backed transactions by car, truck, make, model; for mortgage-backed by home equity, first mortgage loan, purchase, re-fi, and cash-outs);
 - distribution by loan-to-value ratios;
 - percentage of loans originated in-house versus those originated by third parties;
 - if more than 10 percent of loans are originated by third parties, than a list of the largest originators showing the dollar value of loans originated; and
 - to-date delinquency, default and prepayment information about pool loans.
- Item 1111 of Regulation AB should require specific information about assets that do not meet the origination standards that had been present to investors.
- Issuers should provide statistical information on the types of underwriting or origination programs applicable to the loans in the asset pool, whether they were underwritten as exceptions to the programs, and the types of modifications made to the pool assets after origination.
- Investors should receive information on steps taken by the loan originator to verify information used in the solicitation, credit-granting or underwriting of the pool assets.
- Transaction agreements need enhanced disclosure about remedies available to investors.

³ We have decided that a 48-hour requirement would provide sufficient time for investors to review a prospectus, so long as it provides the relevant information in an electronic format, such as XBRL, that would enable investors to readily analyze the data. Otherwise, the proposed five-day requirement should be retained.

- Better disclosures are needed regarding obligations to repurchase assets, including financial information about the party obligated to repurchase the assets as a consequence of breaches of representations/warranties.
- Issuers should disclose the amount subject to repurchase demands during the last three years.
- Issuers should disclose when third-party lenders account for 10 percent or more of a pool.
- Issuers should list all originators who contributed 5 percent or more of the pool by dollar value.
- Issuers should disclose when a sponsor, servicer or 20% originator has retained an interest in a transaction, together with the amount and nature of the interest.

Ongoing Static Pool Disclosures

- Static pool disclosures should include narratives describing the methodology used to determine the characteristics of static pool information, and to describe how assets in previous pools differ from assets supporting the securities being offering.
- Issuers should provide graphic representation of static pool data for delinquencies, losses, and prepayments for amortizing trusts.
- Revolving master trusts should disclose delinquencies, monthly payment rates and losses by vintage year and credit score.
- Static pool disclosures should be filed with the Commission via EDGAR.
- Static pool disclosures should be provided in formats such as XBRL, but not in .pdf files, to enable investors to quickly access and apply analytical tools to the data as part of their investment decision-making processes.

Conclusion

We appreciate the opportunity to resubmit our comments on proposed changes to the regulatory requirements for asset-backed securities. Particularly in light of market practices that have come to light during the last five years, we believe that many of these changes are necessary to provide investors with the substantive information they need to make informed investment decisions.

Should you have any questions about our positions, please do not hesitate to contact James C. Allen, CFA at james.allen@cfainstitute.org, or 434.951.5558; or Linda L. Rittenhouse at linda.rittenhouse@cfainstitute.org, or 434.951.5333.

Sincerely,

/s/ James C. Allen

James C. Allen, CFA
Head, Capital Markets Policy - Americas
CFA Institute

/s/ Linda L. Rittenhouse

Linda L. Rittenhouse
Director, Capital Markets Policy
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