

MEMO# 24712

November 16, 2010

ICI Comment Letter on SEC Proposals to Enhance Disclosure for Asset-Backed Securities

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 61-10
FIXED-INCOME ADVISORY COMMITTEE No. 29-10
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 47-10
SEC RULES MEMBERS No. 123-10 RE: ICI COMMENT LETTER ON SEC PROPOSALS TO
ENHANCE DISCLOSURE FOR ASSET-BACKED SECURITIES

The Securities and Exchange Commission issued two proposals to implement certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act relating to asset-backed securities (“ABS”). The proposals would require an ABS issuer to perform a review of the assets underlying the ABS, disclose the nature, findings, and conclusions of its review, and disclose the findings and conclusions of any third-party review. The proposals also would require securitizers to disclose fulfilled and unfulfilled repurchase requests and nationally recognized statistical rating organizations to disclose information regarding representations, warranties, and enforcement mechanisms available to investors in ABS. Certain municipal securities would be subject to the proposals.

ICI’s comment letter supports the proposals to enhance ABS disclosure but recommends excluding municipal securities from the scope of the proposals. The letter is attached and summarized below.

Summary of Letter

ICI’s letter begins by noting that disclosure in the ABS market is currently inadequate. The letter states that the proposed disclosure provisions should improve an investor’s ability to thoroughly analyze and compare the quality and risks of an ABS offering at inception and over the life of the transaction. Specifically, the disclosures should: (1) provide investors with a greater understanding of the quality and extent of the issuer’s review of the assets, and inclusions of assets, in an underlying pool; (2) assist investors in timely identifying asset originators with clear underwriting deficiencies; and (3) facilitate investors’ understanding of available remedies for a breach of representations and warranties.

The letter comments that the definition of ABS used in the Commission's proposals would impose ABS disclosure requirements on only a small segment of the municipal securities market and recommends that the Commission instead take a holistic approach to improving municipal securities disclosure. It suggests that the Commission expressly exclude municipal securities from the scope of the proposals and wait for the results from its field hearings with municipal market participants, as well as the GAO studies on municipal securities mandated by the Dodd-Frank Act, before determining whether to apply the ABS disclosure requirements to a small piece of the municipal securities market.

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[Attachment \(in .pdf format\)](#)

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