

30 March 2010

Mr. Randall W. Roy
Assistant Director, Division of Market Regulation
U.S. Securities and Exchange Commission
100 F Street
Washington, D.C. 20549

Dear Mr. Roy,

AFME / ESF represents a broad range of securitisation market participants in Europe. It was recently brought to our attention that SEC Rule 240 17 (g) 5 may apply to European securitisation issuance, since all rated European securitisations are rated by institutions regulated as Nationally Recognised Statistical Rating Organisations (NRSROs) by the SEC. If left in its present form, compliance with this new rule could have material implications for securitisation issuance in Europe. In summary, pursuant to Rule 240 17 g (5), we consider that if an issuer of a European securitisation wishes to hire any one of the ten NRSROs to rate all or part of a new issuance, then the issuer is required to agree in writing that they will provide the same pre-transaction information on pool data and transaction structure to all ten NRSROs on a password-protected website. Each of the ten NRSROs can then develop and issue a rating for each of the tranches in the transaction, irrespective of whether the issuer has hired that NRSRO to provide a rating. This rating could be issued during the marketing period of a transaction or at any time thereafter.

Clearly, this introduces a major element of uncertainty into the issuance process, since neither an issuer nor an investor will have any idea as to whether any of the NRSROs not hired to rate their transaction will provide a materially different rating than any of the NRSROs hired. As far as we know, European issuers have only very recently been made aware that this SEC rule could possibly apply to them, and so have not made any preparations for compliance. In recent months, many European and global policymakers have called for a restoration of new securitisation issuance for sound transactions. The market for new securitisation in Europe has only recently begun to re-emerge. In all of 2009, there were only seven publicly placed securitisations for EUR 6 billion, which is down from EUR 450 billion prior to the crisis. So far in 2010, there have been six transactions for EUR 6 billion. This new level of uncertainty, when added to many other important factors such as a reduced number of buyers, increased capital charges, increased transaction costs and other factors, could materially affect the issuance plans of many securitisation issuers.

Our understanding is that the intent of the SEC is to encourage greater competition amongst the credit rating agencies in providing ratings for structured finance transactions. By providing the same level of data and structure information to all NRSROs, all of the NRSRO can analyse the same information and none will have a competitive disadvantage. The industry is of course supportive of increased

competition and transparency in the ratings of structured finance transactions. However, this regulation was not developed by European authorities nor was there any public discussion in Europe on the merits of this proposal for the European market. There has also not been any consideration of how the SEC regulation would fit with European laws and regulations including the new European Credit Rating Agency Directive. We note that in many European countries there are strict banking confidentiality restrictions that would require further research to determine as to whether these provisions would be breached by providing data to an unsolicited rating agency. There are important European-specific technical and cost considerations as well. For example, in the UK, many õmaster trustsö contain literally hundreds of thousands of loans, which will raise significant IT and website considerations. In Europe, AFME / ESF is suggesting to its issuer members that they contact you to relay their specific concerns and questions. We are also suggesting that they contact their EU national supervisors, and ask their national supervisor to contact the SEC to clarify the situation, and, if the SEC agrees that the regulation does catch European securitisations, to request the SEC to issue a no-action letter for the next one to two years or other reasonable time period, while the European industry has an opportunity to discuss this with the relevant European regulatory authorities. Other potential solutions would be for the SEC to exclude from the scope of this regulation all European (or non-US) transactions which are not able to be distributed to the public in the U.S. e.g. by way of registration with the SEC. Another alternative would be to exempt transactions which use two or more ratings, to encourage the use of multiple ratings.

We would very much appreciate the SEC's willingness to consider the above implications for European securitisation issuance. We welcome a dialogue with the SEC on this important issue.

Regards,



Richard J. Watson
Managing Director, AFME / ESF

cc: Robert W. Cook
Director, Division of Trading and Markets