

I am writing to submit my comments on S7-01-23, the proposed rule prohibiting conflicts of interest in certain securitizations.

I commend the SEC for its efforts to strengthen the regulatory framework surrounding securitizations and eliminate conflicts of interest. However, I suggest that the proposed rule be revised to exclude exceptions for risk-mitigating hedging activities, bona fide market making, and certain liquidity commitments. Such exceptions would significantly undermine the effectiveness of the rule and create loopholes for securitizers to engage in conflicted practices.

Here are some examples of potential loopholes in the proposed rule:

1) Risk-mitigating hedging activities: This exception would allow securitizers to engage in hedging activities to reduce their risk exposure related to the securitization, but it could be exploited to engage in conflicted practices. For example, a securitizer could engage in hedging activities that benefit their own interests at the expense of investors in the securitization.

2) Bona fide market making: This exception would allow securitizers to make a market in the securities being securitized, which could be used to ensure liquidity and pricing stability in the market. However, it could also be used as a loophole to engage in conflicted practices. For example, a securitizer could artificially manipulate the market to benefit their own interests.

3) Certain liquidity commitments: This exception would allow securitizers to make certain commitments to provide liquidity in the event of market disruptions or other contingencies. While this is intended to ensure the stability of the securitization market, it could also be used as a loophole to engage in conflicted practices. For example, a securitizer could use this exception to avoid losses at the expense of investors in the securitization.

Furthermore, I urge the SEC to expand the scope of the proposed rule to cover collateralized debt obligations (CDOs) and other securitization transactions. CDOs have been a source of numerous conflicts of interest and abuses, and their inclusion in the rule would promote transparency, protect investors, and maintain the integrity of the financial markets.

In conclusion, I appreciate the SEC's efforts to address conflicts of interest in securitizations and urge the agency to continue to strengthen the regulatory framework surrounding these transactions. Thank you for your consideration.

Sincerely,

Thomas Raye