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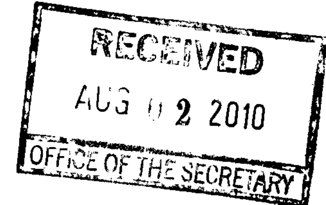
August 2, 2010



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AUG 02 2010
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Sent via Electronic and U.S. mail

Ms. Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington DC 20549-1090

Re: Asset-Backed Securities (File No. S7-08-10)

Dear Ms. Murphy:

On behalf of the American Federation of Labor and Congress of Industrial Organizations (the "AFL-CIO"), I welcome this opportunity to provide comment to the Securities and Exchange Commission on the Asset-Backed Securities proposal, S7-08-10. The AFL-CIO is the country's largest labor federation and represents 11.5 million members. Union-sponsored pension plans hold about $480 billion in assets. Union members also participate directly in the capital markets as individual investors.

American workers collectively lost hundreds of billions of dollars of their retirement savings as a result of the worst economic downturn since the Great Depression. The financial crisis was triggered, in large part, by the implosion of asset-backed securities comprised of home mortgages, credit cards and student loans. Because of a lack of transparency about these asset-backed securities, investors were unaware of the risk that these supposedly top-rated securities could contain toxic assets.

Senator Carl M. Levin, chair the U.S. Senate's Permanent Subcommittee on Investigations, succinctly described the role of asset-backed securities in the financial crisis at a series of hearings he convened in April 2010:

> "The toxic mortgages polluted the river of commerce upstream. Downstream, Wall Street bottled the polluted water, and ratings agencies slapped an attractive label on each bottle promising safe drinking water. Wall Street sold the bottles to investors...Investors the world over—pension funds, universities, municipalities,

and more—not to mention millions of homeowners, small businesses, and U.S. taxpayers —are still paying the price and footing the cleanup bill."[1]

We therefore commend the Commission for proposing new rules on asset-backed securities to revise and update Regulation AB. In conjunction with the Dodd-Frank Wall Street Reform and Consumer Protection Act recently signed into law by President Obama, the proposed rule will ensure that investors are better informed about the risks of asset-backed securities. We are also pleased that the proposal will provide investors in registered shelf offerings more time to analyze the offering, and require issuers to retain a percentage of the asset-backed securities to ensure they have "skin in the game."

However, we are concerned that 5 percent retention requirement for issuers of asset-backed securities may not be high enough to prevent the abuses that played a pivotal role in the financial crisis. Some commentators have suggested that "issuers already retained anywhere from 6 percent to 10 percent of a deal," depending on how much of the pool was rated investment grade or higher.[2] Moreover, we are concerned that the proposed retention provision will only apply to those firms seeking expedited approval of offerings through the off-the-shelf registration system.

The financial crisis exposed the flaws in the credit ratings process for asset-backed securities, and therefore we support the Commission's efforts to provide investors with alternatives to better measure risk. We are hopeful that the proposed standardized in-depth asset-level disclosures, along with a computer program simulating the payment stream, will ensure that investors in asset-backed securities are better informed, and promote independent analysis rather than blind reliance on credit ratings. We support the recommendation of the Investors' Working Group that issuers in private offerings should be required to provide similar standardized disclosures to investors upon request.[3]

We also support requiring issuers to file a preliminary prospectus with the Commission for each off-the-shelf offering, and giving investors more time—at least five days—to conduct a review before the first sale in such an offering. We concur with the Council of Institutional Investors, which noted in its comment letter that "investors need additional time to review information on a particular shelf takedown in advance of the first sale of securities in the offering."[4]

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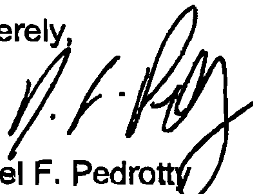
1. Opening statement of Sen. Carl M. Levin , chairman of the Senate Permanent Subcommittee on Investigations, at the hearing on Wall Street and the Financial Crisis: The Role of High Risk Home Loans, April 13, 2010.
[2] Comment letter of Gill C. Schor, May 7, 2010.
[3] "U.S. Financial Regulatory Reform: The Investors' Perspective," A Report by the Investors' Working Group of the CFA Institute Centre for Financial Market Integrity and Council of Institutional Investors," July 2009.
[4] Comment letter of the Council of Institutional Investors, July 15, 2010.

Once again, the AFL-CIO would like to express its support for the Commission's proposal. We believe that the proposed changes will go a long way toward ensuring that investors in asset-backed securities are better informed. If the AFL-CIO can be of further assistance, please do not hesitate to contact me at 202-637-5379.

Sincerely,



Daniel F. Pedrotty
Director, Office of Investment

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