August 27, 2010

Vanguard

By e-mail: rule-comments@sec.gov

P.O. Box 2600
Valley Forge, PA 19482-2600

www.vanguard.com

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Asset-Backed Securities, Release No. 33-9117;
File Number S7-08-10

Dear Ms. Murphy:

Vanguard[1] appreciates the opportunity to comment on the Securities and Exchange Commission's proposed rules ("Proposed Rules") on asset-backed securities ("ABS"). Vanguard strongly supports the Commission's efforts to improve disclosure and reporting requirements for ABS. The Proposed Rules will better protect investors in the securitization markets by providing for better information with which investors may assess the risk of ABS at the time of initial purchase, and quite importantly, on a continuous basis. Our comments focus on the key areas of the Proposed Rules that we believe are most important for protecting investors' interests: disclosure, waterfall modeling, and risk retention.

I. Vanguard supports improved disclosure at the loan level for closed pool transactions and at the pool level for master trust transactions.

The Commission's initiative to improve ABS disclosure is an extremely important step in improving current ABS market conditions. Some asset types, particularly in higher rating categories with increased credit enhancement, such as credit card receivables and auto loans, have provided stable returns and exhibited stable performance characteristics. However, many asset classes such as non-agency residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), and private student loans are still struggling.

As an investor in the ABS market, we believe greater loan-level and pool-level transparency is needed. We support the proposed American Securitization Forum's ("ASF") loan level initiatives for RMBS and credit card securities. Providing investors with specific data that is updated throughout the life of a transaction should foster independent analysis within the ABS market. Over time, we expect improved pricing to follow. The challenge for improving transparency in the ABS market exists in creating appropriate and flexible reporting standards for the various sub-classes of securities within each of these sectors. The reporting requirement should address the credit quality of the borrowers, provide indictors for key risk factors that are relevant by sector (e.g., loan-to-value ratio, FICO scores, geography, school type, equipment type, residual value, etc.), provide a mechanism to evaluate the correlation of various risks, and be updated throughout the life of the transaction. More importantly, we recommend that the

[1] Vanguard offers more than 150 U.S. mutual funds with assets of approximately $1.4 trillion. Our fixed income funds have approximately $500 billion in assets under management, including $25 billion invested in asset-backed securities, commercial mortgage-backed securities and residential mortgage-backed securities.

Proposed Rules incorporate a principle-based approach to allow the reporting requirements to adjust as the markets evolve. For example, if a new type of auto loan is created, a new reporting field may be needed to disclose such information to investors in the corresponding ABS market.

Although we fully support the reporting requirements developed by the ASF Credit Card Project Restart project, which includes reports for collateral comparison, charge-off reporting and repline analysis, investors need greater transparency into the overall cash flow dynamics of the trust. We appreciate issuers' concerns that cash flow reporting would create competitive issues, and therefore, may prevent issuers from using the ABS market. In lieu of the full grouped data proposed by the Commission, we propose adding an additional level of disclosure to the set of reports outlined in the ASF proposal. The "Waterfall Report," which is attached hereto as Exhibit 1, sets forth a template for disclosing the cash flows, sources and uses of funds, master trust asset and liabilities, outstanding loans, and trust credit triggers. The report is designed to enhance and clarify portfolio economics and to create consistent standards for disclosure of cash flow information at the master trust and transaction level.

ABS securitizations involving auto loans, leases, and equipment loans generally are closed pool transactions. The ability to provide loan-level disclosure is available, as issuers provide rating agencies and investment banks with loan tapes to structure and rate transactions. Issuers, again, are likely to raise competitive and privacy concerns if required to provide such detailed disclosure to investors. In response to these anticipated concerns for auto loans, we would support the use of the reporting fields outlined in Exhibit 2. The use of bucketed fields, issuer-calculated data, and streamlined reporting fields should address any issuer concerns. We also support providing the report in loan-level and grouped data to facilitate analysis by the various types of investors.

II. Vanguard supports issuer responsibility for the Waterfall Program and requirements for ongoing modeling of deal flow of funds, structure and cash flows.

We fully agree with the Commission's approach to waterfall modeling, and issuer responsibility for modeling, updating and liability for accuracy. We believe this is one of the most important changes proposed by the Commission. The current market structure relies on third parties, such as the investment banks, rating agencies, and data providers to support the issuers' models that are used to price, evaluate, and manage the risks against which investors lend. The issuers should have accountability for both the written waterfall disclosed in the prospectus and the modeled cash flows.

We support the issuers providing a model that allows for input of all relevant collateral assumption such as prepayments, losses, delinquencies and recoveries. The waterfall model should have enough accuracy to permit investors to reproduce the expected cash flows, as well as independent scenarios. The issuer should be accountable for the accuracy of the model, but not specific outcomes. For example, if a cash flow priority cannot be modeled with accuracy, it should not be included. Ongoing liability for accuracy and completeness of modeled assumptions is also important. This type of framework will provide accountability by all parties involved. Issuers will have incentives to provide accurate assumptions, and the market will be able to trade views on these assumptions. We believe issuers are likely to see improved pricing and economics of ABS securities as the market develops confidence in the models used to predict expected cash flow.

III. Vanguard supports the concept of risk retention across all ABS asset classes.

Risk retention is a vital part of providing alignment of interest, incentives, and accountability for issuers and servicers. History has demonstrated that risk retention provides for stable performance and alignment of interests. In asset classes where risk retention has been embedded in the ABS structure, such as credit cards and auto loans, issuers have stepped up during times of market stress to provide support or manage transactions responsibly.

Risk retention should be the standard, not the exception, for the ABS market. We would prefer a consistent approach to risk retention across all ABS asset classes; however, we recognize that a "one size fits all" approach may not work. Preference for "vertical" versus "horizontal" risk retention depends on sector and issuer.[2] The "vertical" option provides for less residual risk retention, and therefore, during times of market stress, could produce a weaker alignment of interest. It does, however, provide markets more flexibility regarding collateral economics and accounting treatments. Horizontal risk retention should be also permitted. Horizontal risk retention does not address alignment of risk across all parts of the capital structure, but does create meaningful incentives for issuers if the exposure to risk is material.

We believe that risk retention should be calculated as a percentage of the original issuance and not adjust over time. This creates added incentives during the life of a transaction to manage risk in the interest of the holders of all the outstanding bonds, as the more senior portion of the structure is repaid. Although we recognize that retention needs may differ based on sector, market structure, and accounting standards, we believe it is important to limit the variations of risk retention to provide clarity and consistency to market participants. We expect the market to negotiate for additional protections where the risk retention method selected by the issuer may be inadequate but some standardization is required. Depending on whether a horizontal or vertical standard is used, additional protections in the form of stronger representations and warranties, and clearer arbitration provisions for loan repurchases should be mandated. The Commission should not substitute risk retention for other structural improvements, but rather, consider the multiple factors needed to improve the ABS market.

IV. Vanguard does not support the development of a qualified institutional buyer of structured finance products ("SQIB") framework.

The ASF has proposed a framework to qualify experienced investors of structured finance securities based on their sophisticated investment process and assets under management in structured product securities. This concept is premised on the notion that experienced, sophisticated purchasers of structured finance securities have no need for standardized disclosure practices. We disagree. A "sophisticated" investor is only as sophisticated as the quality of information to which it has access. A SQIB framework, frankly, is no substitution for improved transparency in the ABS market. Moreover, we believe the SQIB concept would reduce the ability of small investors to participate in the ABS market and is likely to concentrate risks within larger accounts.

[2] By vertical risk retention, we mean the retention of 5% of each tranche outstanding net of hedged positions. By horizontal risk retention, we mean the ownership of at least 5% of the last contractual principal proceeds, which could be in the form of debt or collateral, required to pay down the transaction net of hedged positions.

In lieu of the SQIB framework, the Commission should impose public-style disclosure on ABS issues based on the size of a particular issue and the issuer's total ABS outstanding. This approach anchors the heightened disclosure requirement to the issuer's size. As an issuer grows in size, its securitization program has a longer history, with, arguably, more data that can be shared with investors. In addition, as the issuer grows, it is likely to benefit from economies of scale, which will help cushion the increased costs associated with the more detailed disclosure. Under this approach, smaller issuers can grow into the demands of larger issuing standards. If an issuer chooses not to grow into these standards, the existing disclosure standards will apply and will be more in line with those of a "private" market.

V. Vanguard supports a higher standard of public disclosure for ABS transactions.

As a substantial investor in the ABS market, we are concerned with issuers' use of the Rule 144A market as their primary source of funding; thereby, avoiding the standard of disclosure that is commonplace in the publicly traded markets. For example, 144A transactions from new entrants to the market may lack the performance history for the underlying asset class in the ABS. This lack of transparency has in the past, and is likely in the future, to lead to inaccurate assumptions by investors. Disclosure, therefore, is an important component to improving the market's ability to develop opinions and forecasts about an underlying asset class' ability to perform in a variety of economic conditions.

Vanguard is sensitive to the argument that public-style disclosure in the 144A markets may be expensive for certain smaller issuers. We think this concern, however, is exaggerated. As the table on the following page highlights, over the last three years the private markets provided large issuance capacity—much larger than the capacity associated with small esoteric issuers. The average deal size was over $600 million, and the transactions included many different asset classes, such as prime credit cards, auto loans, and student loans. In addition, certain asset classes deemed to be "esoteric" have issued billions of dollars in securities through the 144A market.

Rule 144A – Private Placement Originations 2008 - Present

Asset Class	Avg. Deal Size ($ mil)	Total Origination Amount ($ mil)
Auto - Fleet	627	6,897
Auto - Leases	1,217	4,869
Auto - Non-Prime	356	3,564
Auto - Prime	763	22,116
Auto - Trucks	749	1,497
Credit Cards - Bank	678	9,493
Credit Cards - Retail	872	11,331
Equip - Heavy	829	829
Equip - ST	558	2,792
Global RMBS	3,313	6,625
Home Equipment	122	245
MH	204	407
Other - CAT	300	600
Other - Floor plans	568	8,522
Other - Insurance	420	2,517
Other - Other	476	3,329
Other - Railcar	238	238
Other - RV	48	48
Other - SBL	361	361
Other - Taxes	56	112
Other - Time Share	210	2,724
Student Loan	936	18,725
Market Average/Total Market	662	107,842

Sources: J.P. Morgan, IFR, Bloomberg

VI. Vanguard supports the creation of a mechanism to identify and settle loan repurchases that do not comply with the issuer's representations and warranties.

We support the repurchase provision proposed by the ASF. The ability to resolve representation and warranty issues, through the use of independent third parties, is an important need not currently addressed in ABS transactions. The ABS market would benefit from having a standardized process to: 1) identify loans for review; 2) review such loans in an unbiased manner; and 3) settle disputes that arise from loans that do not comply with the issuer's representations and warranties. We believe a delinquency standard is the best way to determine whether a review of the underlying loans in any given ABS is necessary. One possible approach that we support would be to refer past-due loans to a third party to evaluate whether such loans complied with the transaction's representations and warranties. We believe this approach would work across all asset classes, and therefore, offers some standardization of process in the ABS markets.

VII. Vanguard supports the requirement of an issuer certification to address origination standards and collateral quality.

We are in favor of having the issuer provide a certification regarding the quality of the securitization. The objective of the requirement is not to provide a guarantee of performance. The issuer certification does, however, create accountability at the highest levels of an issuer's organization and results in an important alignment of interests, but much like other certification requirements that already exist in securities regulation and accounting practices.

VIII. Vanguard supports a transaction marketing period of two business days.

In a market as complex as ABS, it is important for the industry to have a standardized marketing period. The marketing period would provide for a grace period during which investors could analyze and review information about a transaction before having to make a purchase decision. We believe a grace period of two business days is sufficient to permit investors to perform their due diligence without impeding the ability of issuers to close transactions on a timely basis.

IX. Vanguard supports improved disclosure for asset-backed commercial paper (ABCP).

As one of the largest managers of money market funds, Vanguard has had relatively small exposures to ABCP in recent years due to concerns about the product's portfolio quality and its concentration in certain asset classes. When we have participated in the ABCP market, we have restricted our exposure to a small segment of the market closely linked to the quality of the liquidity provider. One of the biggest impediments to more fulsome participation in ABCP has been the lack of disclosure from issuers regarding current performance of loans and the pools backing the ABCP facilities. Although we agree with the ICI[3] and ASF proposals to create a different reporting standard for ABCP issuers, we believe the spirit of the disclosure should continue to reflect a desire to provide investors current information on the performance characteristics of loans backing ABCP conduits. Investors should be able to rely less on liquidity facilities and versions of explicit and implicit guarantees and focus on the quality of the pool. Providing more detailed information where applicable on borrower quality, loan level performance trends such as delinquency and non-performing status, and historic performance would help increase our ability to assess the risks in the conduit.

We appreciate the opportunity to express our views on this important topic. If you have any questions, please do not hesitate to contact Bob Auwaerter at 610.669.6341 or Bob Behal at 610.669.8391.

Sincerely,

/s/ Robert Auwaerter

Principal

/s/ Bob Behal, CFA

Principal

[3] Vanguard also agrees with the ICI's recommendation to exclude tender option bonds from the provisions of the Proposed Rules for the reasons set forth in the ICI's comment letter, dated August 2, 2010.

cc:
The Honorable Mary L. Schapiro, Chairman
The Honorable Luis A. Aguilar, Commissioner
The Honorable Kathleen L. Casey, Commissioner
The Honorable Troy A. Paredes, Commissioner
The Honorable Elisse B. Walter, Commissioner
Meredith B. Cross, Director, Division of Corporation Finance
Paula Dubberly, Deputy Director, Division of Corporation Finance
Katherine W. Hsu, Senior Special Counsel, Office of Rulemaking
Rolaine S. Bancroft, Special Counsel, Office of Structured Finance, Transportation and Leisure

Exhibit 1: Credit Card Additional Reporting

Waterfall Report

ALL FIGURES MUST BE REPORTED IN DOLLARS AS WELL AS PERCENTAGE OF TRUST BASIS.

Monthly Cash Flows

Cash Collections (Monthly Basis)
+ Interest
+ Recoveries
+ Fees
+ Interchange
+ Discounted Principal (Principal Collection re-categorized as Finance Charge Collection)
+ Other cash inflows

Cost of Funds (Monthly Basis)
- Coupon Pmt of All Outstanding Series
- Servicer Fees
- Trustee Fees
- +/- Derivatives (inflow/outflow)
- Other costs/fees

Charge-Offs (Monthly Basis)
- Charge-Offs from Bankruptcy
- Charge-Offs from Contractual Defaults

= 1 Month Excess Spread

Master Trust Assets (Monthly Basis)

Receivables Amount Outstanding - Beginning
Receivables Amount Outstanding - Beginning (net of Discounting)
+ Amount of Receivables Purchased
- **Amount of Receivables Removed**
- Amount of Receivables Paid (Collections)
- Gross Charge-Offs

= Receivables Amount Outstanding - Ending
Receivables Amount Outstanding - Ending (net of Discounting)

Notionl Balance of Receivabls Discounted
Principal Receivables after Discount
Discount Rate in Effect

Master Trust Liabilities (Monthly Basis)

Owner's Trust	Original Amt	Current Amt	WD Amt	Principal Funding Acct		Interest Shortfall	Actual Cred Enh	Req Cred Enh	Stated Maturity
Series 2006-1, class A									
Series 2006-1, class B									
Series 2006-1, class C									
Series 2006-1, class D									
Total Series 2006-1									
Series 2006-2, class A									
Series 2006-2, class B									
Series 2006-2, class C									
Series 2006-2, class D									
Total Series 2006-2									
Aggregate Invested Amount									

Either

Issuance Trust	Original Amt	Current Amt	WD Amt	Principal Funding Acct	Encumbered Amt	Interest Shortfall	Actual Cred Enh	Req Cred Enh	Stated Maturity
Class A					NA				
Class B									
Class C									
Class D									
Aggregate Invested Amount									

Seller's Interest
Minimum Required Seller's Interest

RESERVE ACCOUNT TRIGGER

Reported 3M Excess Spread for Trigger Calc	[XX%]						
Excess Spread Account Threshold	4.50%	4.00%	3.50%	3.00%	2.50%	2.00%	0.00%
Required Reserve Account (%)	1.25%	2.00%	2.75%	3.50%	4.50%	6.00%	6.00%
Actual Reserve Account (%)							
Actual Reserve Account ($)							

Cash Collateral Account ($)
Other Reserve Accounts ($)

Commencement of Accumulation or Amortization Period (if any):
Early Redemption Events - Please outline all events relevant to the master trust. For example:

3M Excess Spread %
Threshold
Actual

Base Rate Trigger
Threshold
Actual

Non-Asset Triggers
YES/NO

Exhibit 2: Auto Deal and Monthly Reporting Standard

At Issuance - Asset Level Schedule L-R1		
#	Item	Name
1	1(a)(1)	Asset number type
2	1(a)(2)	Asset number
3	1(a)(5)	Origination date
4	1(a)(6)	Original asset amount
5	1(a)(7)	Original asset term
6	1(a)(19)	Defined underwriting indicator
7	1(b)(2)	Current asset balance
8	1(b)(3)	Current interest rate
9	1(b)(5)	Current delinquency status
10	1(b)(8)	Remaining term to maturity
11	4(a)(2)	Subvented
12	4(b)(2)	Vehicle manufacturer
13	4(b)(3)	Vehicle model
14	4(b)(4)	New or used
15	4(b)(5)	Model year
16	4(b)(6)	Vehicle type
17	4(b)(8)	Source of vehicle value
18	4(c)(3)	Obligor FICO score
19	4(c)(21)	Geographic location of obligor
20	NEW	Co-obligor present
21	NEW	Scheduled monthly payment income to monthly total income
22	NEW	Obligor income verification
23	NEW	Obligor wage verification
24	NEW	Loan-to-Value

At Issuance - Pool Level (unless multiple response) Schedule L-R2		
#	Item	Name
1	1(a)(1)	Asset number type
2	1(a)(2)	Asset number
3	1(a)(4)	Originator
4	1(a)(11)	Interest type
5	1(a)(12)	Amortization type
6	1(a)(13)	Original interest only term
7	1(a)(15)	Primary servicer
8	1(a)(16)	Servicing fee—percentage
9	1(a)(20)	Measurement date
10	1(b)(1)	Cut-off date
11	4(a)(1)	Payment type

Monthly - Asset Level - Schedule LD-R1		
#	Item	Name
1	1(a)	Asset number type
2	1(b)	Asset number
3	1(f)(2)	Actual interest paid
4	1(f)(3)	Actual principal paid
5	1(f)(4)	Actual other amounts paid
6	1(f)(5)	Other principal adjustments
7	1(f)(6)	Other interest adjustments
8	1(f)(7)	Current asset balance
9	1(f)(10)	Current scheduled principal amount
10	1(f)(11)	Current scheduled interest amount
11	1(f)(12)	Current delinquency status
12	1(f)(17)	Next interest rate
13	1(f)(18)	Remaining term to maturity
14	1(g)(4)	Servicer advanced amount
15	1(g)(5)	Cumulative outstanding advance amount
16	1(i)(4)	Repurchase reason
17	1(k)(1)	Charged-off principal amount
18	4(b)	Amounts recovered
19	4(c)	Repossessed
20	4(c)(1)	Repossession proceeds
21	NEW	Other principal adjustments reason
22	NEW	Voluntary prepayment
23	NEW	Repurchase Amount
24	NEW	Payment Extension

nthly - Pool Level (unless multiple response) Schedule L-D-		
#	Item	Name
1	1(a)	Asset number type
2	1(b)	Asset number
3	1(d)	Reporting period begin date
4	1(e)	Reporting period end date
5	1(g)(2)	Current servicer