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September 21, 2011

The Honorable Luis Aguilar  
Commissioner  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549

Commissioner Aguilar,

We appreciate you taking the time to meet with us, especially in light of the incredible earthquake that ran through the city that afternoon. With the unusual circumstances of that day, we want to take the opportunity to reiterate where we believe the successes and pitfalls reside in the SEC's prior ABS proposal, which was introduced on April 7, 2010 but ultimately withdrawn.

We wholeheartedly support the Commission's efforts to improve disclosure surrounding the assets underlying asset-backed securities. We have fought for as long as we have been in business for this very information and firmly believe that, if investors can better understand the collateral backing the securities, they will make better-informed investment decisions. We further believe that this type of disclosure will go a long way toward preventing future financial crises.

Our concern lies with the SEC's prior proposal to mandate that ABS issuers file, along with their prospectus, a waterfall computer program written in the open-source language Python.<sup>1</sup> We believe there is value to providing waterfall computer programs to investors seeking them out; after all, this is our business. And in fact, these models were widely available to, and affordable for, investors of all types throughout the last decade, from small community banks to the largest financial institutions.

Unfortunately, the prior proposal failed to recognize the existing availability of commercial models, the transparency that they provide, and the cost efficiencies they offer to the market. It erroneously assumed that an open-source solution, using Python or some other programming language, can be generated in a cost efficient manner that will provide greater transparency and level the playing field. The prior proposal would have greatly increased the costs to ABS issuers without providing any additional benefit to investors.

The requirement that the waterfall computer program be written in open-source language, specifically Python, will benefit only the programming literate -- PhDs and software programmers, not individual investors. Investors make informed decisions by running complex scenarios, through robust analytical tools that provide comprehensive output, not by looking at programming code. Commercial providers compete vigorously with one another to accept these ever-evolving scenario forecasts, and to provide the most transparent, useful results. Ultimately the consumer benefits from this competition.

<sup>1</sup> In the prior proposal, Python clearly is not merely a "place holder" for an open-source language, but instead intended to be the mandated language for the waterfall computer program.



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Mandating that the program be written in an open-source language will stifle innovation and quality. It will incent issuers to provide crude models that only meet minimum standards defined by the SEC. The decline in the quality of the "free" models will have a deleterious effect on investors. This is because, as explained by Duke Professor Stephen Schwarcz in his June 6, 2011 response to the Senate Banking Committee, this inferior free waterfall computer program will create arbitrage opportunities for those investors willing to purchase the better, commercially available products.

Software consumers constantly make choices regarding open-source and proprietary software based on individual needs and views of which alternative will best fit their requirements. Indeed, businesses and individuals routinely license products from firms like Microsoft or Adobe, despite the existence of freely-available, open-source solutions. At Intex we employ similar strategies, choosing open-source tools for some functions and closed-source commercial products for others. Similarly, the securitization marketplace should be allowed to choose the best alternatives to model waterfalls. By mandating Python, or any open-source language, the SEC is eliminating this valuable, consumer choice.

Even if the Commission ultimately disagrees with our above positions and instead mandates a waterfall computer program, we would urge you to support a modified version of the proposal. We believe that a less injurious proposal would limit the mandate to requiring a model of the actual waterfall, and not the cash flow engine. We also would recommend that the model only apply to the ABS issuance at origination and that issuers not be required to continuously update the model after every payment period. Mandating continuous updating is problematic for the reasons we previously indicated in our prior comment letters. Finally, we strongly believe that, in line with President Obama's July 11, 2011 Executive Order which provided that regulations should promote economic growth, innovation, competitiveness, and job creation, the issuer should be free to choose the language in which the model is written, including whether the code is open or closed source. We believe that such a proposal, while still unnecessary and unhelpful, would do the least harm to investors.

We again thank you for taking the time to meet with us and would be glad to address any other questions or concerns that you or your counsel may have.

Sincerely,

Kevin F. McCarthy  
Managing Director  
Intex Solutions, Inc.

CC: Elizabeth Murphy, Secretary of the Commission