R&R Consulting
Bringing science back to financial engineering

6 East 46th Street Suite 200
New York, NY 10017-2432 phone 1 212 867 5693
rrcons@nyc.rr.com
www.creditspectrum.com

March 25, 2014

Via e-mail

Secretary
Securities & Exchange Commission
SEC Headquarters
100 F Street, NE
Washington, DC 20549-1090

RE: Request for Extension of Comment Period
Re-opening of Comment Period for Asset-Backed Securities Proposed Rule
File No. S7-08-10; Release Nos. 33-9552; 34-7611

Dear Ms. Murphy:

R&R Consulting ("R&R") appreciates the opportunity provided by the Securities and Exchange Commission (the "Commission") to comment on the methodology proposed by the staff of the Commission's Division of Corporation Finance staff in its February 25, 2014 memorandum (the "Memorandum") for addressing privacy concerns raised with respect to the dissemination of potentially sensitive asset-level data, as proposed in Release No. 33-9117 (Apr. 7, 2010) (the "2010 ABS Proposing Release"), and re-proposed in Release No. 33-9244 (July 26, 2011) (the "2011 ABS Re-Proposing Release") as well as the views expressed by Commissioner Michael S. Piwowar in his statement of February 25, 2014.

As an independent credit rating agency, R&R helps market participants understand the credit safety and risks of asset-backed securities ("ABS") tranches. We have evaluated the accuracy of the disclosures mandated by the Commission when it originally adopted Regulation AB in 2004 ("Reg AB I") for some of our regulatory clients. (*See* Release No. 33-8518, Dec. 22, 2004.) We have also assessed the damages to investors hurt by misleading ratings and data disclosures—the type of investor for whom, presumably, Section 942(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (The "Dodd-Frank Act") was written.

R&R wholeheartedly supports the suggestion by Commissioner Piwowar to follow the statute literally and require disclosure of asset-level data only if such data are necessary for investors to independently perform due diligence.

In our business, Reg AB I aggregate-level, static pool data have always sufficed to fulfill the disclosure requirement set forth in Section 942(b)(c)(1): "*for each tranche or class of security, information regarding the assets backing that security.*" (Emphasis added.) In the run-up to the financial crisis of 2007 and 2008, R&R was able to demonstrate the intrinsic credit risk and value of ABS tranches using only aggregate-level data, by updating the rating analysis every period based on integrated pool performance history. (*See* Fons, Jerome, "Shedding Light on Subprime RMBS," Journal of Structured Finance, Spring 2009.) This approach is responsive to future risk and enables investors to distinguish between adequately and inadequately collateralized transactions.

The gold standard for information about asset performance at the security level is the ability to determine asset cash flow availability to support interest and principal payments for the remaining life of the security. To say that this cannot be done without access to sensitive loan-level data is a bit like saying one cannot count to 10 because there are not enough numbers. What matters is the ability to count. No amount of data granularity can result in *information* about projected asset-cash flow receipts. Continuous cash flow modeling is necessary to obtain good asset-cash flow information.

In our experience, the only asset classes for which more data disclosure may be necessary are those that go into re-securitizations, for example residential mortgage backed securities ("RMBS") that go into RMBS collateralized debt obligations. Because the risk analysis in a re-securitization is based on the rating and not on pool-level information (and because the collateralized debt obligation market is private) gaining access to underlying asset performance data on resecuritizations, even aggregate level data, can be difficult.

We are puzzled by the importance attached to Section 942(b)(c)(2)(B) of the Dodd-Frank Act. Taken out of context, one might infer that loan-level data are not available to investors; but, this is not the case. There is a healthy market for loan-level data that have been cleansed, anonymized and resold by neutral third-party data vendors. By providing data that all market participants can trust, data vendors play an important role in maintaining the health of the ABS market.

Granted, the subscription prices for loan-level data services are not cheap, but to process wholesale data, even at the aggregate level, of sufficient quality for direct use in robust risk systems requires significant capital investment and know-how. Issuers, who are not in the data business, may not have the know-how to replicate what is commercially available today, or be prepared to make such investments. Self-interestedly, R&R lives and dies by having access to a wide range of good quality data for use in our proprietary systems. Changes in the quality or availability of raw ABS performance data could add significantly to R&R's cost of doing business.

Given that the data under discussion are already available, it is not at all clear that changing the current system by compelling issuers to supply the identified data to a targeted subset of institutions for free is necessary, desirable or a step forward for market transparency.

Sincerely,

Ann Elaine Rutledge
CEO and Founding Principal
R&R Consulting