Prudential

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Via Electronic Submission http://www.regulations.gov/

Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: Re-Opening of Comment Period for Asset-Backed Securities Release File Number S7-08-10

Dear Sir or Madam:

Prudential Investment Management, Inc. (PIM) sincerely thanks the U.S. Securities and Exchange Commission ("SEC" or "Commission") for its continued work on Regulation AB. We continue to strongly advocate for appropriate loan level disclosure, customized by asset class and securitization structure, as a necessary and needed disclosure enhancement that will materially improve the market's understanding of structured securities. These disclosures should be provided for all publicly registered structured securities (Form SF-1 and Form SF-3) and for all structured securities sold with reliance on Securities Act Rule 144A (Rule 144A).

PIM is the primary investment advisory business within Prudential Financial, Inc. (Prudential) with $870 billion in assets under management[1] as of December 31, 2013. PIM ranks among the largest institutional asset managers in the United States and was one of the earliest institutional investors to embrace structured products in the late 1980s. Our primary public fixed income asset management business, Prudential Fixed Income, is one of the largest fixed income managers in the United States, with $405 billion of assets under management as of December 31, 2013.[2]

Prudential Fixed Income has $68 billion in structured assets under management as of December 31, 2013, including mortgage-backed and structured securities for both affiliated and third party institutional clients as well as for retail investors. Our structured product holdings contain public and private investments across the capital structure of asset-backed securities (ABS) transactions, including collateralized loan obligations (CLO), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), commodity consumer sectors (e.g., autos, credit cards, student loans) and small "esoteric" ABS sectors (e.g., containers, franchise, timeshare).

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[1] *Includes all assets managed by Prudential Investment Management, Inc., the principal asset management business of Prudential Financial, Inc. Assets include public and private fixed income, public equity – both fundamental and quantitative and real estate.*

[2] *Source: Global Pension Fund data: Pension Funds Online 2012 and IPE Top 1000 Global Institutional Investors-2013.*

Prudential Investment Management also maintains a dedicated CLO asset management platform and an affiliate is involved in the origination of loans for a CMBS platform. Our decades of active involvement with structured securities, as an investor, manager and issuer provides the Commission with an experienced, balanced and unique perspective that only few institutions can offer.

We believe the proposed rules, especially in the areas of increased transparency (investor communication and comprehensive disclosures) will allow all market participants to better diligence structured finance transactions and will strengthen the market. The implementation of the regulatory reforms will shape Prudential Investment Management's continued interest in the structured finance market, both as a suitable investment for our clients and as a sustainable issuance platform for our business units. The primary goal of all the proposed regulatory changes should be to foster the long-term stability of the structured market for all market participants.

As part of this response, we would also like to direct the Commission to PIM's August 2, 2010 submission to the 2010 ABS Proposing Release, http://www.sec.gov/comments/s7-08-10/s70810-95.pdf and PIM's October 4, 2011 submission to the Re-Proposal of Shelf Eligibility Conditions for Asset-Backed Securities http://www.sec.gov/comments/s7-08-10/s70810-218.pdf.

We thank the Commission for considering our comments. Please contact me for any follow-up.

Sincerely,

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We firmly believe transparency is a key pillar for the long-term stability of the structured finance market. Our decades of investing experience across multiple economic cycles informs our view that market confidence in structured securities requires allowing investors to have ongoing access to the collateral pool at its most organic level; the loan level. In asset classes where we have access to loan level data, we have developed analytical processes that we believe provide better insights into the credit quality of collateral pools and the risk/reward economics of each tranche of the securitization.

As loan level data is aggregated into group level data, the richness of the data is reduced into a limited set of representative cohorts. Market participants consequently lose the ability to robustly determine relationships between specific loan characteristics, individually and in combination, and the frequency of loss, severity of loss and voluntary prepayment profile.

In times of tight credit lending standards, when credit losses are assumed low and stable, it is possible to prudently invest in short well-enhanced senior tranches without access to loan level data. As credit lending standards expand, the economic environment contracts or the investment is at the subordinate or residual tranche level, we believe a granular understanding of the collateral pool is needed to evaluate the distribution of expected collateral losses. Aggregated pool or group level statistics are insufficient to properly assess risk layering and the potential volatility in the collateral pool and ultimately the credit risk of a given tranche of a securitization.

We believe loan level data will assist investors in public and private securitizations in developing more robust analytical tools and will help refine their conclusions on two key topics in the structured underwriting process:

(i) what is the credit risk of the security
(ii) what is the expected return on the security

I. Credit Risk

Loan originators collect and evaluate many individual loan characteristics in their underwriting decision and often inform investors that FICO scores in isolation are of limited value. Loan originators develop proprietary risk models utilizing the loan characteristics they deem to be most predictive. Providing structured credit investors access to loan level data for the purpose of enhancing robust quantitative risk models to aid in the investment analysis of levered securities, whose credit worthiness is derived from the performance of the underlying loan level collateral, is an obvious and needed enhancement for the market's understanding of structured securities.

At the current level of disclosure we believe it is impossible to effectively assess pool construction risk or the effects of risk layering. As a result, the ability to evaluate the risk and volatility inherent in subordinate or thinly enhanced tranches of a securitization is limited. Furthermore, the loans are assets of the issuance vehicle, and investors should have the ability to diligence the collateral they are relying upon for the repayment of their investment.

- Pool construction risk refers to the consistency of the current collateral pool compared to prior collateral pools. To confidently rely on historical information, the characteristics of the current collateral pool needs to be consistent with the prior collateral pools. Small changes in the collateral pool composition may not be evident in average or pool level disclosures but the subtle effects of risk layering can add materially to the expected loss of a collateral pool and on the riskiness of a give tranche of a securitization.

- Risk layering relates to the fact that no individual loan characteristic in isolation is sufficiently explanatory to fully predict the expected loss of a collateral pool, or the standard deviation of the estimate. Predictive risk factors (e.g. new/used, interest rate, term of loan, loan-to-value (LTV), loan amount, equipment/collateral type and FICO) must be evaluated in conjunction with each other and such factors must also incorporate macroeconomic factors (e.g. unemployment, interest rates, collateral recovery rates), as the combination of individual loan characteristics and economic environment can add or diminish the risk of a given loan.

- The pool composition changes as collateral prepays, defaults and amortizes. Post issuance, issuers generally do not provide ongoing detailed pool composition stratifications. The lack of ongoing transparency is detrimental to the secondary market and the ongoing monitoring of a security. Schedule L-D is an important improvement toward maintaining a clear understanding of the changing risks of a collateral pool.

Our loan level views are grounded in actual experiences:

- We have reviewed granular static pool loss information provided for various combinations of loan characteristics in the context of considering whole loan purchases. In evaluating the static pool losses across the different combinations of characteristics, the magnitude of the changes in the loss experience for what we assumed to be minor changes in a given loan characteristic was much greater than we expected. This review made clear the effects of risk layering, how minor changes in pool construction can impact the expected loss of a collateral pool and the challenges to understanding risk layering given the current public and Rule 144A securitization disclosure practices.

- In CLOs, CMBS and RMBS, asset classes where there is access to loan level data, we have developed analytical processes that we believe provide better insights into the credit quality of collateral pools and the risk/reward economics of each tranche of the securitization.

Loan level data, as contemplated by Schedule L and Schedule L-D, provides investors a robust opportunity to analyze a broad set of loan characteristics. The nature of the market's credit review will improve as investors develop and apply quantitative models to identify and evaluate factors that are predictive of the frequency of loss and the severity of loss (e.g. FICO, LTV, Debt-To-Income, make and model of the collateral, …). With a better understating of the loss and prepayment characteristics of a collateral pool, investors will be able to better understand the risk and reward profile for each tranche in a securitization. This credit analysis can only be done with loan level data.

It is important to highlight to the Commission that the information on Schedule L and Schedule L-D needs to be asset class specific and dynamic. While there are some data fields that are common across asset classes, there are unique risk characteristics in each asset class. Since investors have not had historical access to a broad range of explanatory variables, investors will need to go through an experimental phase with the data to be able to comment on what fields are needed, what fields are of secondary importance and what data may be missing. The same is true for different securitization structures: Static Pool, Revolving Pool and Master Trust.

II. Expected Return

The projected economics of an investment is a material consideration that is inseparable from the risk assessment. Even if a tranche is clearly risk remote, the spread / yield an investor will earn on the investment is key in the decision process, and loan level data will allow for a more refined estimated return.

A noteworthy difference between corporate securities and structured securities is that corporate securities generally have bullet repayments and structured securities generally have amortizing repayments. In estimating the expected return on a structured security, an analyst needs to project the timing of principal and interest cash flow on both the underlying loans and the tranche of the securitization.

Loan level data as contemplated by Schedule L and Schedule L-D (e.g. current asset balance, next interest rate, current delinquency status, remaining term to maturity) will allow investors to better estimate the timing of the principal and interest cash flows of the collateral pool. In turn, investors can better estimate the cash flow to a securitization and ultimately be more confident in their risk reward consideration for a security.

PRIVACY CONCERNS

In developing the Schedule L and Schedule L-D data fields, it is very important that sensitive obligor information is not provided (e.g. name, address, social security number, or other information that would be subject to Gramm–Leach–Bliley or Fair Credit Reporting Act regulations). Investors do not need such data to develop an understanding of which loan characteristics are predictive of the timing or severity of losses or the timing of principal and interest payments.

TRANSPARENCY OF OPERATIVE DOCUMENTS

Transparency extends beyond loan level data. We take the review of the operative documents in structured transactions as an important core underwriting activity, and would like to stress again to the Commission our October 4, 2011 comments regarding what exhibits should be filed with any public or Rule 144A structured security offering.

- Given that the operative documents in structured transactions (e.g. Indenture/Pooling & Serving Agreement, swap confirmations, administrative agreements, …) are the legal contracts between the issuer and investors, not the Securities Act Rule 424 (h) ("the red herring") or the Rule 424(b) ("the black"), a draft set of operative documents should be released at least five business days prior to the first sale in the offering.

- The executed set of operative documents should be released with the Rule 424(b) filing (at least three business days prior to closing). With the Rule 424(b) filing, any changes to the operative documents should be handled by the amendment provisions described in the operative documents.

- In order to better understand any financial engineering that occurred between transactions, or during the marketing period, investors, upon request, should be provided with blacklined documents against a prior document.

One of the most important lessons of the financial crisis is that each investor needs to perform an independent in-depth credit analysis. The enormous investment losses endured through the financial crisis were at least in part due to some investors purchasing securities solely based upon a rating agency's view of risk and the stated spread. In fact, much of the regulation adopted since the crisis has been directed at reducing the market's reliance on rating agencies in favor of a thorough and independent review and analysis by each investor.

Unless an issuer provides sufficient data to investors to allow this intensive analysis, the flawed model of "blind" investing may endure along with the risk of severely adverse future outcomes for the structured market. The financial crisis educated the market about the dangers of "black box investing" and has made clear that disclosure, transparency and alignment of interest are critical. It is important to provide the tools to investors to help them make better informed decisions that are consistent with their risk/return tolerance.

Regulations such as Regulation AB II are necessary to ensure issuers provide the maximum amount of information to investors, subject to privacy laws, in order to achieve this goal. At a minimum, investors should at least receive as much information as issuers provide to the credit rating agencies. For example, the fact that rule 17g5 websites are only accessible by rating agencies and not by investors seems inconsistent with the intent of the new financial regulations. More robust disclosure will lead to market practices that should reduce the likelihood of extreme adverse volatility across economic cycles.