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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: Asset-Backed Securities Disclosure and Registration, Final Rule

17 CFR Parts 229, 230, 232, 239, 240, 243, and 249
[Release Nos. 33–9638; 34–72982; File No. S7–08–10]
RIN 3235-AK37

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. The Commission clearly dedicated significant resources to reviewing PIM's three Regulation AB submissions. PIM is very appreciative of your thoughtful consideration of our perspective. In Section I.C.5 of the Final Rule, the Commission highlights several proposals that remain outstanding. Given four years have passed since PIM's initial comments on the 2010 ABS Proposing Release and over three years have passed since our comments on the 2011 ABS Re-Proposing release, the purpose of this letter is to provide the Commission our current views.

Specifically our comments are directed at the following proposals that remain outstanding: (i) Requiring issuers to provide the same disclosure for Rule 144A offering as required for registered offerings; (ii) Making the general asset-level requirements applicable to all asset classes and asset-class specific requirements for equipment loans and leases, student loans, and floor plan financing; (iii) Requiring grouped-account disclosure for credit and charge card ABS; (iv) Filing of a waterfall computer program of the contractual cash flow provisions of the securities; and (v) Requiring the transaction documents, in substantially final form, be filed by the date the preliminary prospectus is required to be filed.

PIM is the primary investment advisory business within Prudential Financial, Inc. (Prudential) with $948 billion in assets under management[1] as of June 30, 2015. PIM ranks among the largest institutional asset

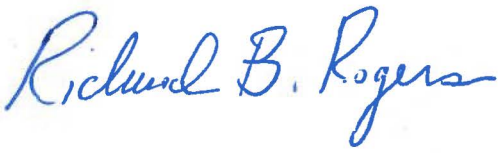
[1] *Includes all assets managed by Prudential Investment Management, Inc., the principal asset management business of Prudential Financial, Inc. Assets include public and private fixed income, public equity – both fundamental and quantitative and real estate.*

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 $550 billion of assets under management as of June 30, 2015.[2]

Prudential Fixed Income has $74 billion in structured assets under management as of June 30, 2015, 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, commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), commodity consumer sectors (e.g., autos, credit cards, student loans), collateralized loan obligations (CLO), and small "esoteric" ABS sectors (e.g., containers, franchise, timeshare).

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

Sincerely,



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[2] *Source: IPE Research- Top 400 Asset Managers, June 2015, based on 12/31/2014 assets under management and Pensions & Investments, based on U.S. institutional tax-exempt assets under management as of December 31, 2014.*

PIM appreciates the opportunity to comment upon the proposed but not adopted rules highlighted in Section I.C.5 of the Final Rule. We have reviewed our prior remarks in the context of both the recent regulatory enactments and the state of the structured finance market more than five years after the establishment of structured finance related support programs including the Term Asset-Backed Securities Loan Facility and the Public-Private Investment Program.

PIM's guiding principle throughout the rulemaking process has been to advocate for regulatory changes that foster the long-term stability of the structured market for borrowers, lenders and investors. PIM believes the recent Regulation AB rulemaking will strengthen the market and we continue to advocate for rules that effectively increase the ability of all parties to robustly analyze public and private structured finance transactions.

The recent market disruption in the Federal Family Education Loan Program (FFELP) sector is a timely reminder, and a good case study, of the vulnerability of structured markets to a lack of transparency. Certain "AAA" rated FFELP securitization tranches are on credit watch negative, despite a 97% loan level guarantee from the U.S. Government[1]. As historical securitization reports do not provide any loan level data or ample summary collateral performance data on borrowers' historical utilization of the available repayment options or the impact of each option on loan repayment patterns, market participants (analysts, investors, NRSROs) cannot develop informed cash flow expectations for collateral performance. Uncertainty persists regarding the degree of potential rating agency actions, and the likelihood of securitization tranches breaching their legal maturity and triggering an event of default.

Long average life FFELP "AAA" spreads have widened by over 60 bps in 2015, primarily over the past quarter, and prices on certain "AAA" securities have dropped by over four points. Current investors have experienced meaningful unrealized losses, which could become realized losses for any rating sensitive investor or any investor needing to sell a FFELP security to raise funds for an alternative purpose. We believe the opacity of the FFELP securitization market only further reinforces the "black box" assessment of securitizations and the perception of regularly occurring structured sector dislocations adversely affects the entire structured market and underscores the benefit all market participants derive from information and transparency.

After reviewing our three prior submissions, PIM holds firm on the core beliefs we previously espoused on the proposed but not adopted rules. In presenting our commentary, we will incorporate by reference our prior comments, and will provide additional commentary where necessary. Summarized below are PIM's three prior submissions:

i. PIM I: August 2, 2010 submission to the 2010 ABS Proposing Release, http://www.sec.gov/comments/s7-08-10/s70810-95.pdf
ii. PIM II: 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
iii. PIM III: April 28, 2014 submission to the Re-Opening of Comment Period for Asset-Backed Securities Release http://www.sec.gov/comments/s7-08-10/s70810-299.pdf

[1] Fitch Ratings: 26 June 2015, *Fitch Places 57 U.S. FFELP ABS Tranches on Rating Watch Negative for Maturity Risk*. Moody's Investor Service: 22 June 2015, *Moody's reviews for downgrade 106 tranches from 57 FFELP student loan securitizations as a result of the risk of default at maturity*

I. REQUIRING ISSUERS TO PROVIDE THE SAME DISCLOSURE FOR RULE 144A OFFERING AS REQUIRED FOR REGISTERED OFFERINGS

When a structured asset class, sponsor or loan originator becomes significantly important to the ongoing credit availability for consumers or corporations, or the holdings of a particular asset class become widely held by the capital markets, we believe the interests of borrowers, sponsors and investors are best served by requiring thoughtfully prescribed transparency. If a minimum level of disclosure is considered an important component to understanding a structured transaction, then at least that amount of transparency should be available under all issuance frameworks. We believe any exceptions should be based on criteria like the size of an asset class, frequency with which the sponsor accesses the market, amount of collateral a given loan originator has contributed to securitizations and an assessment of the degree a well operating securitization market benefits the credit availability and pricing for borrowers. PIM reiterates its comments in the PIM I (pages 10 to 12 and pages 37 to 39) and PIM II (page 12) letters supporting Rule 144A issuances being required to provide public-standard disclosures upon request.

Currently we observe sponsors utilizing a Rule 144A issuance structure achieving similar funding economics to sponsors utilizing a public issuance framework. When the arranger of a Rule 144A issuance can syndicate the offering by generating investor interest in excess of the amount of available securities, PIM's experience is that individual investors have very limited ability to negotiate transaction terms or receive enhanced disclosure. Our concern is the level of disclosure required by individual investors at any given issuance point may be insufficient to promote long-term broad market confidence over market cycles. Our experience is that each time a sector or sponsor suffers from lack of transparency, the event reinforces negative perceptions of the structured finance market.

In evaluating the costs and benefits of enhanced transparency, an example of the cost to investors of opacity is the recent and relatively rapid mark-to-market losses FFELP investors suffered. When spreads widen in an asset class, funding costs for sponsors also rise and secondary trading activities diminish until uncertainty moderates and the market establishes a sustainable clearing level. Borrower costs may also rise, as sponsors may pass on prolonged funding increases. Even with perfect information, the same FFELP related events may have played out and the experienced spread widening may have been inevitable, but perhaps to a lesser extent. With better historical information, the timeframe of the recent spread widening could have played out over a longer interval than a quarter, the degree of the spread widening due to market uncertainty could have been less severe and any negative perception of FFELP securitizations and structured products may have been avoided.

II. MAKING THE GENERAL ASSET-LEVEL REQUIREMENTS APPLICABLE TO ALL ASSET CLASSES AND ASSET-CLASS SPECIFIC REQUIREMENTS FOR EQUIPMENT LOANS AND LEASES, STUDENT LOANS, AND FLOORPLAN FINANCINGS

The primary focus of our April 2014 PIM III submission was to make explicitly clear to the Commission the need for detailed loan level disclosure across structured asset classes in both public and private issuances, as it provides market participants the greatest flexibility in analyzing collateral

risks and performance. We affirm our loan level commentary on pages 3 to 5 of PIM III letter and our observations in PIM I (pages 9 to 10 and pages 26 to 30) and in PIM II (pages 10 to 12).

PIM believes securitization is in many ways equivalent to direct lending between the securitization investor and borrower and the granularity of information provided in the securitization disclosure should be on par with the information a bank or finance company utilizes, or would be expected to review, in underwriting a loan. Given the prior excesses of "originate to distribute" underwriting and its contribution to asset bubbles, to ensure the safety and soundness of consumer and commercial credit markets, all market participants need to be able to independently evaluate the risks embedded in the collateral pool based on layered risk characteristics and construct cash flow expectations and sensitivities built on analysis of historical prepayment, default and recovery performance curves.

The recent FFELP dislocation is again instructive as to why asset classes should provide loan level data. If FFELP securitizations historically had provided loan level data and the data tracked a borrower's current status (e.g. in-school, grace, deferment, forbearance, income base repayment plan), then market participants could have developed estimates of the utilization of repayment options and the borrower transition rates through each repayment state. Market participants could then independently assess the impact of a given option on repayment patterns and thus the impact on a securitization. We believe the difficulty for market participants to develop appropriate assumptions is a contributor to the current FFELP market dislocation.

We do not believe providing loan level data is an operationally complex activity. Since the May 2010 Asset Backed Securities Rule proposal, the marketplace lending space has grown materially. We have seen this sector grow while providing expansive ongoing monthly loan level data. We believe that technology has advanced to a stage where large data sets can be prepared and effectively transmitted on a monthly basis, and market participants could analyze such data sets. Loan level information provides a needed level of transparency for investors to gain comfort with this relatively young sector and provide incremental capital to the sector.

Currently, not all structured security sectors have a defined Schedule AL. As a sector becomes sufficiently large, over $2 billion in public or private securities outstanding, we recommend that the Commission proactively undertake a proposal for rulemaking for the specific sector. We believe a $2 billion threshold should not impede the creation of new securitization sectors and should provide the market sufficient lead-time to comment upon the appropriate disclosure framework for the given sector. We reiterate our comments regarding the adoption of loan level disclosure in marketplace lending, and note that transparency has not inhibited the development, but rather, we believe, stimulated growth.

We ask the Commission to consider the following important data transparency points:

- For student loan transactions, including FFELP, we believe Schedule AL should provide detailed disclosure about a borrower's current and prior payment statuses and the specific deferment, forbearance, repayment and/or specialty forgiveness program elected by the borrower.
- More generally for any loan, Schedule AL should provide all specific loan repayment terms and detailed data on all repayment and modification options and a borrower's utilization of these options.

- For floor plan transactions, the level of granularity should be at the dealer level not at the vehicle or equipment level. To better assess concentration risks, the definition of a dealer should include all affiliates. Vehicle and equipment specific disclosures need to be detailed, but can be provided in summary format.
- The Commission should revisit the length of zip code provided in mortgage related transactions. Robust mortgage credit underwriting relies on a 5-digit or 9-digit zip code as a predictive statistic. We believe a 3-digit zip code is insufficient. An investor looking to make an informed investing decision should have access to the same location information as the loan originator. For non-mortgage related transactions, we believe the current 3-digit zip code is sufficient.
- NRSROs, when updating rating methodology criteria or issuing or updating a security rating, should be required to disclose publically all underlying methodology assumptions and the collateral data supporting those assumptions.
- A best practice of sponsors should be to provide historical loan level data, so market participants can more quickly develop appropriate modeling assumptions.

III. REQUIRING GROUPED-ACCOUNT DISCLOSURE FOR CREDIT AND CHARGE CARD ABS

PIM reiterates its comments on page 9 of the PIM I letter that in credit cards master trust structures, we support a monthly grouped account data approach. This is not to imply that loan level data for credit card issuers is not accretive, but for the very large master credit card trusts, the degree of monthly change in the number of borrowers and size of borrowings is so great, we believe that monthly grouped account disclosure is reasonable. We believe the very large master credit card trusts are the only securitizations where the volume of data is so great that group level data is acceptable.

Another key disclosure consideration is that all collateral pool informational updates should be required on a monthly basis, not quarterly or some less frequent time standard. In periods of economic stress, understanding emerging trends, and period-over-period changes is important. We believe monthly reporting is the needed and appropriate time standard.

IV. FILING OF A WATERFALL COMPUTER PROGRAM OF THE CONTRACTUAL CASH FLOW PROVISIONS OF THE SECURITIES

PIM is revising its position on the waterfall computer program. While we still believe the Commission should be clear in its commentary that the Indenture/Pooling & Serving Agreement is the legally controlling contract (PIM 1: pages 12, 31-32), we now do believe the waterfall computer program should, in certain limited circumstances, be used as the appropriate primary source to clarify ambiguities in the transaction documents. Three situations highlighting the proposed interaction between transaction documents and the waterfall computer program:

(1) If the transaction documents consistently state that the Class A coupon is 3%, but the computer waterfall program states the Class A coupon as 2%, the transaction documents should prevail.

(2) If transaction documents have conflicting language (one reference has the Class A coupon as 1% and another reference as 3%), then the coupon in the code of the computer waterfall program (2% in the prior case) would determine the correct Class A coupon.
(3) The language of the transaction documents can be ambiguous / open to interpretation. The specificity of the computer waterfall program can be utilized to help establish the intent of the structuring lead arranger. A structuring model specifies the exact application of collateral proceeds (e.g. how payments from modified loans are applied, as well as losses from modified loans) in the priority of payments and the operation of related collateral tests. This structuring model typically guides the drafting of the specific waterfall language in the transaction documents.

Given the complexity and concerns related to the computer waterfall program, we ask the Commission take up the topic more comprehensively under a separate rulemaking process.

V. REQUIRING THE TRANSACTION DOCUMENTS, IN SUBSTANTIALLY FINAL FORM, BE FILED BY THE DATE THE PRELIMINARY PROSPECTUS IS REQUIRED TO BE FILED

As the operative documents are the controlling legal documents, PIM reiterates its timeline to provide documents and blacklines to prior documents in PIM III (page 5 to 6), and in PIM II (pages 9 to 10). We believe these rules should apply for all public and Rule 144A issuances.

As we believe reviewing blackline documents greatly contributes to the understanding of operative documents, PIM would like to provide additional commentary on blacklining in response to the Commission's observations on page 57296 of the Federal Register. At the start of a marketing period, some sponsors who utilize a Rule 144A issuance regularly provide a blackline or changed pages of the offering memorandum, draft indenture or any operative documents against the final version of the same document in any relevant prior transactions, not just the immediately preceding transaction. Determining a relevant comparison document is not difficult, and this activity is very common even though "there is no consistent industry standard at this time nor a clear identity of what other agreements to use as a comparison."[2] PIM routinely asks for blacklines against older documents and for changed pages without causing any confusion for the arranger, sponsor or counsel. We ask for blacklines against older securitizations so the structural changes that occur over longer timeframes are more evident. If the Commission requires a definitive standard, the analogous final executed document in the most comparable prior securitization is appropriate. Throughout the marketing period, as transaction document versions update, we ask for and receive blacklines and changed pages.

Based on our actual experiences, PIM believes there is a clear evidence that blacklining is possible, not overly burdensome and provides a substantial benefit to investors. In our experience, sponsors with multiple issuances start with a precedent document and then work off blackline changes. If the practice is useful for sponsors, arrangers and counsel, we believe requiring blacklining of documents for all public and Rule 144A transactions would help streamline investor review of all structured transactions and highlight any disclosure changes. We recommend as a minimum standard that all

[2] Federal Register / Vol. 79, No. 185 / Wednesday, September 24, 2014 / Rules and Regulations, Page 57296

sponsors for all public and Rule 144A transactions be required to provide a blackline in the following situations:

- Blackline the preliminary offering material against the final offering material from the most recent applicable prior transaction in the series.
- Blackline and provide changed pages for any updated offering material during the marketing phase.
- After pricing, all executed transaction documents should be blacklined to the corresponding final executed document of the most recent applicable prior transaction in the series. Changed pages should also be provided.

PIM believes a single point of contact, an entity that possesses all the relevant documents and software, should produce and distribute the blacklines and changed pages. We believe this is more reasonable than every market participant undertaking the task individually. We believe sponsor deal counsel is in the best position to prepare the blackline document, as deal counsel is likely updating a prior execution version of the document, possess software to compare documents and the sponsor can provide all prior base documents.

We do not agree with the Commission's comment "that most investors should have the capacity to produce documents marked to show differences from prior documents."[3] If all marketing material and operative documents were provided as an unprotected Microsoft Word .docx document, not as a ".pdf file" or in the current ".htm Edgar" format, then we would agree with the statement. The compare document functionality is part of the standard Microsoft Word software package, and it is likely that Microsoft Word is the word processing software used to create the documents. Adobe Acrobat Pro is required to compare .pdf files; the standard version of Adobe Acrobat or the free Adobe Reader do not have the compare document capabilities. Arrangers also often provide materials as "secured" .pdf files. The "secured" security setting can prevent comparison, without knowledge of the password, between Adobe Acrobat documents.

[3] Ibid