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July 26, 2010

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE.
Washington, DC 20549-1090

Re: Asset-Backed Securities, File Number S7-08-10

Dear Ms. Murphy:

I appreciate the opportunity provided by the Securities and Exchange Commission (SEC) to comment on the proposed rules related to revisions of Regulation AB and other rules regarding asset-backed securities.

My response focuses on **credit cards and charge cards**, which pertain to my expertise, based on more than 15 years of experience in the industry. I played relevant roles in structuring many credit card ABS transactions, mostly financed through asset-backed commercial paper. My focus has always been managing the credit risk for investors.

I have outlined my response to the proposal by providing a foreword with my significant concerns, followed by my detailed response to some of the questions you have posed in the proposal.

Foreword

The securitization of credit card receivables has been active for over 20 years (since 1986) and this assets class remains a major part of the securitization market. Securitization is a major financing tool for credit card issuers, allowing them to provide essential consumer credit.

Over the years credit card issuers have disclosed more information and investors have been able to better review quality and performance.

Over the past few years many players in the securitization industry, as well as regulators, have focused on improving transparency in the ABS market, whereas most of the discussions have centered on residential mortgages, a major contributor to the financial crisis.

Consequently, available data about credit card receivables have not materially changed and I think it is now the right time to shift the focus on this asset class.

I would like to bring three major issues to the attention of the SEC, before responding to some of the detailed questions in your proposal.

- **Convenience Users versus Revolvers**
  An important aspect that should be taken into account while analyzing the performance of credit card pools is the cardholder mix.
  There are convenience users with little risk, who pay off their balances in full every month, for whom credit cards are purely a cash substitute, like debit cards. While they provide almost no risk to issuers and investors, they generate little income to issuers in the form of interchange.

  Then there are revolvers, who revolve balances and pay finance charges and fees. While they provide most of the income to issuers, they are responsible for all delinquencies and charge-offs. A correct performance analysis should separate these two groups and the focus should be on revolvers. Convenience users will quickly pay off their balances as soon as credit cards are no longer active (in case of receivership or bankruptcy of the issuer). Revolvers alone will affect the amortization/liquidation period. This means that when determining delinquency and charge-off percentages for credit card pools, the denominator should only include balances of revolvers. Even the monthly payment rate should separate revolvers from convenience users. I think current data (with percentages calculated using total balances) does not accurately reflect the risk profile of credit card pools, with occasionally some relevant distortions.
  This separation should also apply to various distributional groups used for the pool level data.

  While I understand there are cardholders who change their behavior (from revolvers to convenience users and vice versa), these represent a minimal portion of the accounts and should not prevent a separate analysis as discussed above.

- **Inactive Accounts**
  My experience has shown that there is a large number of credit card accounts which are not active or have zero balances (with a few credit balances), often one third of all accounts in a credit card pool falls into this category. Including these accounts in various calculations can generate some inaccurate reporting. This is especially notable when calculating average balance and credit utilization, both usually understated in current reporting formats.
  Inactive accounts should also be excluded from all distributional groups for pool level data.

- **Prospectus Updates**
  A prospectus contains important data about the historic performance of the receivables, as well as the composition of the assets by various distributional groups (balances, credit limits, account age, states and FICO scores). While updated performance data for each muster trust are provided monthly (10-D), there are currently other useful statistics which are not made available beyond the prospectus, at least to public investors through SEC filings. These include performance of the entire credit card assets managed by the specific issuer and composition of assets by various distributional groups.
  For active issuers with frequent new securitizations, I have been able to obtain these statistics using most recent prospectuses, but there is no current requirement to update investors on a periodic basis.
  My suggestion is for issuers to file with the SEC this type of statistics at least on a quarterly basis, regardless if new prospectuses are filed. This is discussed in your proposal.

Detailed Response

Risk Retention for Shelf Eligibility

As credit card issuers typically retain an originator's interest in the pool of revolving assets held in master trusts, this is sufficient to satisfy the risk retention requirement.
The originator's interest is pari passu with the investors' interest and, consequently, both are backed by the same pool of receivables.
The SEC should require that the originator's interest is not less than five percent of the total receivables. In most cases, the actual percentage is much higher.

Prospectus Delivery Requirement - Rule 15c2-8(b)

The 48-hour preliminary prospectus delivery requirement should apply to muster trust structures only if pool assets have changed from current information available to public investors (filed with the SEC or on another website). Typically, issuers of credit card ABS update performance information of their master trusts on a monthly basis. If the preliminary prospectus would contain information already available on the issuer's or SEC's websites, this delivery requirement should be waived. If, instead, the prospectus includes new information, such as data about new accounts to be added to the master trust, the delivery requirement should apply. I would waive the delivery requirement if the only change relates to new accounts additions with balances representing less than five percent of the master trust.

Disclosure Requirements

This is a very important issue and I am in favor of expanding the disclosure requirements for credit and charge cards.
I agree with the proposal to exclude ABS backed by credit cards and charge cards from the requirement to provide asset-level data, but group account data need to be enhanced.

Standardization

I fully agree that the SEC should specify standardized definitions for pool-level data.
Currently, issuers use very similar definitions and, therefore, the standardization process should be easily feasible.
In addition to the standardization, pool-level data should be provided not only for Schedule L, but also in periodic reports, at least quarterly (see my forward).
In relation to Item 1111, the SEC should not proscribe specific distributional groups, as almost all issuers provide very similar formats based on the characteristics of their pools.
As stated before, additional information separating convenience users (monthly balances paid in full) from revolvers would be tremendously useful to investors. The ideal solution is to look at these as two separate pools with their own performance and distributional groups.
Most of the standard statistical tables useful to investors are already disclosed by most issuers. I would not further complicate the distributional groups.
Statistical tables disclosing homeownership, employment, education and debt-to-income ratio, as well as accounts under debt management, redefaulted, diluted or closed, are not useful to investors. As for payment behavior, as stated before, it would be valuable to separate revolvers from convenience users.
Statistical tables disclosing type of products may be helpful to investors to better understand how issuers are originating and managing accounts.
The SEC should work with the American Securitization Forum on expanding Project RESTART to include credit cards.

Format

All data should be provided in XML format, as the SEC is proposing. This will facilitate the analytical work by investors.

Waterfall Computer Program

This program should be updated on a monthly basis to show all historical monthly flow of funds. This updated program should be filed with each 10-D, as you are proposing, at least with a link to the issuer's website containing the file.
While the flow of funds should not materially change over time, the update with historical data would be very helpful to investors without adding material costs for issuers.

Static Pool Disclosures

The revolving nature of credit cards and charge cards makes the vintage analysis less relevant than it is for non-revolving receivables, such as mortgages and auto loans.
While issuers occasionally provide this type of information, I do not think you should have this requirement in the proposed rules.

Form 10-D

I agree that you should specify a minimum of line items that issuers must disclose in order to meet the requirements in Item 1121 of Regulation AB.
Currently, most issuers already disclose what I would consider minimum data, with some exceptions.
Upon request, I will be glad to submit a detailed list of items I consider valuable for investors. I would add more items to the ones listed in the request for comments (page 259).

I appreciate the opportunity to comment on these new rules. Please contact me (917-603-3646 or Alberto@iZonca.com) if you have any questions or would like to discuss these issues in greater detail.

Sincerely,

Alberto Zonca