



**The Depository Trust &
Clearing Corporation**
55 Water Street
New York, NY 10041-0099

August 2, 2010

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

Re: File No. S7-08-10

Dear Ms. Murphy:

The Depository Trust & Clearing Corporation (“DTCC”) appreciates the opportunity to provide comments on the Commission’s proposed rule revisions on Asset-Backed Securities. We commend the Commission for its work reflected in the proposal, which is timely and relevant.

We strongly agree with the Commission’s proposed significant revisions to Regulation AB and other rules regarding the offering process, disclosure and reporting for asset-backed securities, especially as they relate to standardization and reporting in a tagged data format. We would like, however, to bring to the Commission’s attention a concern which is not covered in the Commission’s proposed revisions.

The Depository Trust Company (“DTC”), DTCC’s depository subsidiary which holds the vast majority of U.S.-issued asset-backed instruments in book-entry form on behalf of its participants, has for the past several years been working with the industry to solve the processing challenges relating to periodic Principal and Interest (“P&I”) payments on these issues. Late and inaccurate notifications of P&I payment rates (that is, the amount of principal and interest, expressed as a rate per \$1,000 face amount, that is to be paid for the asset-backed issue for a particular payment date) are major concerns in this area. DTCC has published three white papers on this subject reflecting a broad industry consensus on appropriate steps to remedy these problems.

The DTCC white papers explain that asset-backed instruments have the poorest performance of all security types with regard to publishing information on payment rates on a timely basis and the accuracy of that rate information. Given the complexity of P&I payments on asset-backed issues (payments often include partial returns of principal, which “pay down” the outstanding balance on the security, impacting subsequent interest payments) and their frequency (typically monthly), late information and inaccurate information is particularly problematic. Inaccuracies, for example, can have a “downstream” effect, since subsequent payments are also erroneous. In the worst case, inaccurate payment rates must be corrected after payment date and result in adjustments to the funds that the bondholders had already been paid on the payment date.

Problems with payment rate information in the market for asset-backed instruments are responsible for billions of dollars in late payments to hundreds of thousands of investors each

year. These payment rate problems cause additional interest costs, inadequate cash management, ambiguity surrounding payment finality, considerable back-office write-offs, and significant exception processing costs to all intermediaries and investment professionals across the entire industry.

For the past several years, DTCC has been at the forefront of an industry-wide “Task Force” seeking to establish a common model for consistent and accurate reporting of rate information from the largest U.S. paying agents of P&I on asset-backed instruments. For example, in March of 2008, with the approval of the Commission, DTC implemented the following Task Force recommendations to greatly improve the P&I payment process:

- Extending the deadline for submission of payment rate information to 3 a.m. Eastern Standard Time on payable date: The new deadline gives those paying agents who use agreed upon defined procedures for automated rate reporting, additional time for the collection, calculation and dissemination of rates. The Task Force concluded this was necessary because of the realities of the marketplace, different time zones and the multitude of servicers in the processing chain.
- Creating two categories of securitized instruments – conforming and non-conforming: After studying a significant subset of the poor performing issues, the Task Force concluded that the timeliness problem was not simply due to poor paying agent or servicer performance. Rather, the Task Force collectively determined that certain structural features exist among a significant subset of asset-backed instruments that may assist in the securitization process but that, as a practical matter, make it difficult, if not impossible, for paying agents to deliver rate information to DTC in accordance with investor expectations on timeliness and accuracy. The group concluded that these securities should be categorized as “non-conforming” issues and be removed from the universe of securities used to determine the performance metrics used to grade paying agent performance (These securities are only removed for the respective timeliness metrics; accuracy for non-conforming issues remains in the performance metrics.)
- Distributing a "paying agent" report card to the industry that tracks the performance of the largest paying agents: As mentioned above, Agents’ performance on “conforming securities” is identified in paying agent report cards to the industry regarding rate timeliness and accuracy. While agents’ timeliness in providing rates on non-conforming securities is not included in the published report cards, their accuracy on non-conforming securities is tracked and included in the report cards.
- Charging an "exception processing fee" for non-conforming securities at the point of underwriting: DTC implemented a new “exception processing fee” imposed on the underwriter at the point of underwriting to cover the excess processing costs produced by the “non-conforming” issues. DTC allocates these monies, pro-rata, to DTC participants holding non-conforming securities on an annual basis as compensation for the additional costs they incur in handling these instruments.

As a result of the implementation of the foregoing Task Force recommendations, payment processing has dramatically improved on asset-backed securities. For example, late rate information has decreased by 66 percent (from approximately 200,000 yearly to slightly over 66,000) and inaccurate rates have decreased by over 30 percent (from approximately 11,000 yearly to just over 7,500). While this is a giant step in the right direction, these numbers still fall short of the performance levels of other security types.

DTCC recommends that the Commission include a section in the filing on rules and procedures on the availability and accuracy of P&I rate information on asset-backed instruments. P&I rate information should be available to the beneficial owner no later than the close of business of the day before the payment date. We have attached a Proposed Category of Information list that covers the information needed to be able to calculate the rate of payment for an upcoming P&I payment date. We note also that mandating the use of a standard “data tagging” methodology – such as Extensible Business Reporting Language (XBRL) – as a means of organizing and disseminating the relevant information would also greatly facilitate the rapid dissemination and validation of the information, helping to improve timely publication of payment rate information and to rapidly identify erroneous information.

Also, DTC’s, aforementioned, data centralization position, can assist the Commission in effecting Section III.A (“Disclosure Requirements”) of the Reform. DTC, as the largest holder of domestic public and 144A asset-backed securities, has the unique ability to capture a significant portion of all asset-backed securitization information in the market place at specific instances through a security’s lifecycle. Regulatory compliance and internal procedures require the submission of detailed reference data, for each security requesting eligibility at DTC. Subsequently, when distribution events occur, DTC also requires the timely submission of detailed payment information. Should the SEC approve expanded asset level reporting, at issuance and ongoing, DTC would request the opportunity to assist the Commission in standardizing, aggregating, and disseminating this information by leveraging current operational and technological synergies.

We appreciate the opportunity to comment on the Commission’s proposed revisions and to provide the information set forth above. Should you wish to discuss these comments further, please contact Ann Marie Bria at (212) 855-4024 or abria@dtcc.com.

Regards,

Ann Marie Bria, Director
Asset Services, Product Management

Enclosure

DATA ELEMENT	DESCRIPTION
Accretion Amount	The total amount of the total income accruing and added to the principal outstanding
Accretion Amount Per Thousand	The total amount of income per thousand based on the original face value accruing and added to the principal outstanding (factor)
Accrual Beginning Date	The date for determining the start of the accounting period for calculating interest earned
Accrual Ending Date	The date for determining the end of the accounting period for calculating interest earned
Basis Points	A unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security
Beginning Principal Factor	The factor (expressed as a decimal) is created by dividing the remaining principal balance of a security as of the end of the previous accrual period by the original principal balance of the security
Class Description	e.g., Interest Only, Principal Only
Class Identifier	The class identifier that determines each tranche within the deal (e.g., A-1, B)
Currency Type	The currency type for the principal amount issued (e.g., USD, EURO)
Current Face Value	The current value of the asset

DATA ELEMENT	DESCRIPTION
Current Interest Shortfall Amount	The excess of interest accrual over interest actually collected on the underlying loans for the current accrual period
Current Interest Shortfall Per Thousand	The excess of interest accrual per thousand per original face value over interest actually collected on the underlying loans for the current accrual period
CUSIP	The security identification code assigned to each class of security by the Committee on Uniform Securities Identification Procedures (CUSIP) Bureau of Standard & Poor's
Dated Date	The date when interest starts to accrue interest for the first interest payment
Distribution Date/Payment Date	The periodic date on which distributions to holders of securities are scheduled
Dividend distribution amount	The total amount of income paid for the current distribution date on the preference share tranche
Dividend Rate Per Share	The total amount of income paid per share for the current distribution date on the preference share tranche
Ending Principal Factor	The factor (expressed as a decimal) is created by dividing the remaining principal balance of a security as of the end of the current accrual period by the original principal balance of the security
First Interest Payment date	The date the first interest payment is scheduled to be distributed
First Principal Payment date	The date the first principal payment is scheduled to be distributed

DATA ELEMENT	DESCRIPTION
Interest Adjustment	Adjustments for previous interest payment applied to current distribution
Interest Calculation	Method of calculation (e.g., 30/360, act/365)
Interest Coupon Rate Type	e.g., fixed, adjustable
Interest Distribution Per Thousand	The total amount of interest paid per thousand based on the original face value for the current distribution date
Interest Payment Frequency	The frequency of when an issue will make a distribution (e.g., monthly, semi-annual)
Interest Reset Frequency	The time period used to determine when the interest rate resets(e.g., Monthly , Daily)
Interest Step- Down Rate Date	The date the new step-down interest rate will take affect
Interest Step- Up Rate Date	The date the new step-up interest rate will take affect
Interest Step-Down Rate	The new interest rate after the step-down feature commences
Interest Step-Up Rate	The new interest rate after the step-up feature commences
Maturity Date	The date the principal becomes due and payable
Minimum Denomination	The denomination on which the random lot call is processed

DATA ELEMENT	DESCRIPTION
Negative Amortization/Deferred Interest Amount	The amount of unpaid interest accrued and added to the principal balance for the specified period
Negative Amortization/Deferred Interest Per Dollar	The amount of unpaid interest accrued and added to the principal balance per dollar per based on original face value for the specified period
Non Conforming	Non-conforming issues are those with features that are unlikely to ever allow paying agents to report rate information prior to a payable date.
Non-Supported Interest Shortfall Amount	The excess of interest accrual amount over interest actually collected on the underlying loans for prior distributions that will not be paid
Non-Supported Interest Shortfall Rate Per Thousand	The excess of interest accrual per thousand per original face value over interest actually collected on the underlying loans for prior distributions that will not be paid
Original Face Value	The original value of the asset at the point of issuance
Pass-Through Rate/Interest Rate	The interest rate on a fixed/floating rate security, which is used to calculate interest for the current payment
Prepayment Principal Distribution Amount	The total amount of prepayment principal paid on a security for the current distribution date
Prepayment Principal Distribution Rate Per Thousand	The total Prepayment amount of principal paid per thousand based on the original face value for the current distribution date
Principal Adjustment	Adjustments for previous principal payment applied to current distribution

DATA ELEMENT	DESCRIPTION
Principal Distribution Type	e.g., pass thru, partial call
Publication Date	The date for determining when the random lot call is processed
Realized Gain Amount	The amount of principal collected in excess of the scheduled principal distribution for the current accrual period
Realized Gain Per Dollar	The amount of principal collected in excess of the scheduled principal distribution per dollar based on the original face value for the current accrual period
Realized Loss Amount	The amount of principal collected less than the scheduled principal distribution for the current accrual period
Realized Loss Per Dollar	The amount of principal collected less than the scheduled principal distribution per dollar based on the original face value for the current accrual period
Record Date	The date on which registered holders of securities are determined for the purpose of making distributions to such registered holders on the next succeeding distribution date
Reset Date	The day of the month the interest rate resets
Reset Index	The index that determines the interest coupon rate (e.g., LIBOR)
Scheduled Principal Distribution Amount	The total amount of scheduled principal paid on a security for the current distribution date
Scheduled Principal Distribution Rate Per Thousand	The total scheduled amount of principal paid per thousand based on the original face value for the current distribution date

DATA ELEMENT	DESCRIPTION
Total Interest Distribution	The total amount of interest paid on a security for the current distribution date
Total Number Of Accrual Days	The total number of days from the beginning to the end of the accrual period
Total Principal Distribution	The total amount of principal paid on a security for the current distribution date
Total Principal Distribution Per Thousand	The total amount of principal paid per thousand based on original face value for the current distribution date
Unpaid Previous Interest Shortfall Amount	The excess of interest accrual amount over interest actually collected on the underlying loans for prior distributions
Unpaid Previous Interest Shortfall Rate Per Thousand	The excess of interest accrual per thousand per original face value over interest actually collected on the underlying loans for prior distributions

Red: On the BMA file (from agents) today and is needed to announce and allocate both pass thru and redemption.

Blue: Not on the BMA file but is needed to announce and allocate both pass thru and redemption.

Green: Not on the BMA file today but are not needed to announce and allocate both pass thru and redemption (information only).

Black: Do not exist today and are not needed to announce and allocate payment (information only).