July 12, 2004

VIA E-MAIL

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549-0609
Attn: Jonathan G. Katz, Secretary

Re: Release Nos. 33-8419; 34-49644 (File No. S7-21-04)

Ladies and Gentlemen:

State Street Global Advisors, the investment management arm of State Street Corporation ("SSgA") is submitting this letter in response to the request for comments made by the Securities and Exchange Commission (the "Commission") in Release Nos. 33-8419, 34-49644) dated May 3, 2004 (the "Proposing Release"). The Proposing Release sets forth proposed rules relating to the registration, disclosure and reporting requirements for asset-backed securities under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act").

SSgA is the world's largest institutional asset manager[1] with over $1.2 trillion in assets under management as of June 30, 2004. SSgA has over 3,200 institutional clients, including corporate pension plans, public retirement plans, insurance companies, endowments and foundations. SSgA is a division of State Street Bank and Trust Company, a subsidiary of State Street Corporation. State Street Corporation is a publicly traded bank holding company with more than $9.4 trillion in assets under custody. SSgA has been investing extensively on behalf of its institutional clients in the registered and unregistered asset-backed securities ("ABS") market across a broad spectrum of asset classes practically since the inception of the ABS market, with a focus on investment grade ABS. SSgA is one of the largest institutional managers of ABS in the market with over $50 billion in ABS under management.

SSgA supports the Commission's efforts to develop comprehensive and tailored disclosure requirements for the registered ABS market. This comment letter addresses several issues related to the Securities Act registration and disclosure portions of the

[1] Based on Pensions & Investments 2004 Money Manager Survey.

Proposing Release.[2] For convenience, the Commission's requests for comments are set forth in italics in this letter.

I. Overview

The comments in this letter are consistent with several overall themes of the Commission in the Proposing Release.

- ***Ensure Consistency, Comparability and Clarity***.

In the Proposing Release, the Commission viewed "consistency, comparability and clarity" as supporting certain of its proposals.[3] SSgA respectfully submits that consistency, comparability and clarity should guide the Commission in establishing disclosure requirements, including with respect to the composition and characteristics of the asset pool and the sponsor's static pool data. In order for an investor to effectively compare different ABS offerings, the information presented in disclosure documents should be calculated using comparable methodology and should be presented in a comparable format. Under circumstances in which comparable methodology and presentation are not feasible due to substantive operational differences among issuers, the issuer should be required to present sufficient information to the investor in order to permit the investor to convert the information to the methodology and presentation used in other ABS offerings. Corporate credit analysis offers an example of the conversion approach in which financial statements of a corporate issuer prepared using the LIFO method contain sufficient information to allow conversion to the FIFO method and vice versa. Without consistency, comparability and clarity, the objective of greater transparency in the registered ABS market will be hindered.

- ***Emphasize Reasonably Descriptive Disclosure and Avoid Boilerplate.***

In the Proposing Release, the Commission cited current disclosure practice as resulting in the inclusion of "undue boilerplate language" in ABS filings. The Commission also noted "uninformative disclosure that obscures material information. . ." In certain cases, we are concerned that the lack of sufficient specificity in several of the disclosure proposals may result in additional boilerplate that does not contribute to better investor understanding of the substantive features of an ABS offering. Instead, we would urge the Commission to continue to emphasize tailored specific disclosure requirements that are reasonably descriptive of the subject matter of the disclosure.

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[2] SSgA's views as expressed in this letter are presented in its capacity as an investment manager for its institutional clients that invest in registered ABS. This comment letter is not intended to address appropriate disclosure standards for the unregistered ABS market or the appropriate allocation of responsibilities to the various transaction participants in unregistered ABS transactions.

[3] The Commission noted these objectives in connection with its proposal to codify several percentage tests that provide guidance as to when disclosure is required. See Proposing Release. (Federal Register Vol 69, No. 93, p 26668).

As discussed in greater detail in Section III(A) of this letter, we believe that the use of detailed disclosure guides for four major ABS asset classes (home equities, vehicles, student loans and credit cards) is consistent with an emphasis on comparable, reasonably descriptive disclosure.

II. Securities Act Registration

A. Delinquent and Non-Performing Pool Assets

We request comment on our proposed definitions of "non-performing" and "delinquent. . . . Is it necessary to require disclosure of the sponsor's charge-off policies? Is the proposed clarification regarding re-aging appropriate? Should there be a specific delinquency date for when an asset is non-performing?

1. Charge-Off Policies Regulation AB would require disclosure on how charge-offs are defined or determined. (Item 1100(b)(5) of Regulation AB). We support disclosure of a sponsor's charge-off policies. Disclosure of charge-off policies is critical for several reasons. First, if a pool asset meets the charge-off policies of the sponsor, it would be classified as "non-performing" under the Proposing Release. In order for an investor to compare information on non-performing assets among different sponsors, an investor needs to have a clear understanding of the criteria underlying the classification of an asset as non-performing. In addition, disclosure of charge-off policies would allow investors to determine the relative aggressiveness or conservatism of the charge-off policies of different sponsors.

2. Definition of Delinquent The definition of "delinquent" in the Proposing Release provides that a pool asset that is more than one payment past due cannot be characterized as not delinquent if only a partial payment is made, unless the obligor has contractually agreed to restructure the obligation. We support the requirement of a contractual modification in order to classify a pool asset on which only partial payments have been made as non-delinquent. We also support disclosure of the sponsor's criteria for granting contractual modifications. This approach facilitates an "apples to apples" comparison of collateral performance across sponsors of a given asset class. The requirement of a contractual restructuring provides discipline and objectivity to delinquency classifications that would be absent if sponsors had the flexibility to use non-contractual modifications (which would be more likely to vary by obligor and over time).

3. Re-Aging and Other Practices Affecting Delinquency Experience The Proposing Release requires pool data to include disclosure regarding the effect of any grace period, re-aging, restructuring or other practice on delinquency experience. Footnote 126 of the Proposing Release states that disclosure should be required in the prospectus that identifies the circumstances under which pool assets could be

removed or substituted. In addition, the proposed annual servicing review would require a determination as to whether any loan modifications or re-agings were made, reviewed and approved by authorized personnel in accordance with the pool transaction documents. (Item 1120 (d)(4)(vi)). The proposed disclosure for Form 10-D would include "material modifications, extension or waivers to pool asset terms, fees, penalties or payments." (Item 1119(k)). We support these provisions but believe that disclosure requirements regarding modifications, extensions, or repurchases of pool assets should be strengthened. Specifically, we would recommend that the Commission consider requiring disclosure of the aggregate number and dollar amount of accounts that have been modified, extended or repurchased from the pool, broken out separately to identify the basis for the modification, extension or removal.

This additional disclosure would provide investors with an enhanced ability to determine whether a sponsor is engaging in activities to support pool performance that could distort the actual underlying performance of the pool. There are instances in which sponsors of registered ABS offerings have engaged in these actions. For example, in credit card ABS transactions, some sponsors offer secured or unsecured loans to delinquent credit card borrowers. The proceeds from the loan are then used to pay off the outstanding balance on the credit card, and an account that is highly likely to be charged off leaves the pool characterized as having being paid off in full. These actions may be advantageous to both the sponsor and the borrower given that, in the case of secured loans, the sponsor obtains a lien on a residential property while the borrower obtains lower payments and avoids adverse credit consequences. However, from an investor standpoint, this action would mask weaknesses in the collateral pool. Once the sponsor's capacity to engage in these loans is reached, the pool may experience a sudden spike in charge-offs. Equipment loan transactions are also vulnerable to these actions. Some equipment loan sponsors, when confronted by a seriously delinquent borrower, will simply make a second loan on the same piece of equipment securing the delinquent first loan. The first loan is retired by the proceeds of the second loan, and the fact that the serial numbers on the equipment securing both loans are identical is extremely difficult to detect short of a forensic audit. A recent bankruptcy examiner's report concluded that this tactic contributed to a recent widely-publicized implosion of an ABS transaction.

B. Exceptions to the "Discrete" Requirement

Should asset-backed securities transactions be allowed to have master trusts, prefunding periods and revolving periods? Are the proposed limits appropriate for the use of prefunding or revolving periods?

1. Master Trusts There should be an exception to the "discrete" requirement in the definition of an asset-backed security to permit the use of master trusts. Master trust structures allow term investors to invest indirectly in receivables (e.g. credit cards) that would otherwise be funded on balance sheet or in conduits. A discrete

pool of cash flows would have an average life that would be too short (e.g. 30-60 days) to have any appeal to investors such as bond funds, or securities lending collateral investment funds, that purchase longer maturity securities. The lack of a master trust exception to the discrete requirement would hurt funding diversification at the sponsor and hurt investors who currently enjoy the benefits of access to floating rate LIBOR assets with soft-bullet maturities in large sized lots.

2. Pre-funding We support the provisions in the Proposing Release that would limit the amount of proceeds that could be used for a prefunding period to 50% (25% for purposes of Form S-3 eligibility) as well as the requirement that the prefunding period be limited to one year. In addition, we respectfully submit that the availability of prefunding should be limited to financially secure sponsors with a track record in the issuance of the ABS asset type. We are not recommending any specific measure for determining the financial strength or experience of a sponsor. The use of a trigger based on the rating of the senior unsecured debt of the sponsor could serve as a possible measure for the sponsor's financial strength. The use of Exchange Act reporting history requirement based on other ABS transactions of a comparable asset type established by the sponsor is one possible measure of sponsor experience. The rationale for imposing a seasoning and financial strength requirement for sponsors of ABS transactions with a pre-funding period is two-fold. First, there is increased risk that financially weak sponsors could divert pre-funding proceeds in a manner that is inconsistent with the transaction parameters. As the industry has seen in a number of ABS distressed transactions, financially weak sponsors under intense liquidity pressures have accessed reserve accounts or lock boxes that were designed to be beyond the reach of the sponsor. While these events did not involve pre-funding, the weaker the sponsor, the greater the unsecured or corporate credit risk component of the asset-backed security's total risk. In addition, pre-funding periods increase the probability that the final asset pool will be different from the characteristics of the pool provided to investors in the ABS offering documents.

C. Form S-3 Eligibility Requirements for ABS

Should we continue to require an investment grade requirement for Form S-3 eligibility? Are any modifications to that requirement necessary? Should alternatives be considered, such as investor sophistication, minimum denomination or experience criteria? If so, what criteria should be considered?

We respectfully submit that the use of an investment grade requirement for S-3 eligibility is of limited utility. We do not believe that the level of appropriate disclosure of historical performance or other information changes markedly at the investment grade threshold or that the extent of rating agency due diligence changes markedly at the investment grade threshold. Our impression is that this requirement has simply resulted in the sharp curtailing of below-investment grade issuance in order to enable more sponsors to use Form S-3. Instead, we believe that a sponsor experience requirement is a more appropriate requirement for Form S-3 eligibility. As with the recommendation for a sponsor experience requirement in connection with

pre-funding, we are not suggesting any specific standard although the use of Exchange Act reporting history requirement based on other ABS transactions of a comparable asset type established by the sponsor is one possible measure.

III. Disclosure

A. Proposed Regulation AB

We request comment on our proposed principles-based approach for Regulation AB. Should we provide detailed disclosure guides by asset type instead?

Although we support the overall principles-based approach for Regulation AB, we believe that it would be very beneficial to investors if the principles-based approach would be supplemented by specific detailed disclosure guides for the four asset classes that represent the overwhelming majority of ABS issuance: home equities, vehicles, student loans, and credit cards. 93% of all ABS issuance in 1Q04 took place in these four asset classes.[4] Under this approach, Regulation AB would identify the specific data elements, calculation methodologies and other pertinent information for the four main asset classes with the principles–based approach applicable to the remaining disclosure requirements for these asset classes as well as all Regulation AB requirements for other asset classes. The Commission has recognized the benefits of tailored disclosure requirements for certain industry sectors in other contexts.[5] As an example of a specific disclosure requirement for student loan ABS transactions that would benefit investors, the variable known as "aged claims rejected," used to evaluate student loan servicing effectiveness, best captures the extent to which poor record keeping by the servicer is likely to reduce the reimbursement received on defaulted loans under the U.S. Department of Education's guarantee. Absent a specific disclosure for student loan ABS transactions, certain issuers may omit this data element.

We would expect that the use of disclosure guides for these asset classes would in many instances reduce the burden on sponsors by tailoring the disclosure requirements to the unique features of the asset class. This hybrid approach would not inhibit the development of new asset classes for registered ABS offerings given that issuers would be able to use the more flexible principles-based approach for new asset classes. This approach would also obviate the need for the development by the Commission of specific disclosure requirements for many asset classes that constitute only a small fraction of the registered ABS market, a concern noted by the Commission in the Proposing Release.

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[4] Moody's Investors Service, ABS 2004 First Quarter Review (New York: May 6, 2004) page 3

[5] See Securities Act Industry Guides. (Guide 2 for oil and gas operations, Guide 3 for bank holding companies). Form S-11 (Registration form for securities issued by certain real estate companies).

B. Transaction Parties-Sponsor

We request comment on the proposed requirement to include static pool data for the sponsor's portfolio and for prior securitized pools by the sponsor. Is such data material? Is additional clarity needed regarding the scope of the requirement?

The Proposing Release requires disclosure of static pool data "if material to the transaction." We support the proposed requirement to include static pool data for the sponsor's portfolio. Although we expect that certain issuers and sponsors will object that uncertainty regarding whether certain static pool data meets the materiality threshold will force issuers to provide information of only useful marginal utility to investors, we believe that this concern would be mitigated if issuers included in the prospectus a reasonable description of the methodology used by the issuer in determining whether static pool data was material. The methodology could, for example, be based on a measure of statistical significance. Requiring the disclosure of the methodology for determining materiality would also facilitate comparability of ABS transactions.

C. Transaction Parties-Other Transaction Parties and Scope of Disclosure

We request comment on the proposed disclosure regarding transaction parties. For each particular disclosure item, are there any modifications that should be made to the list of items to be disclosed?

We support the proposed requirement that the sponsor provide a reasonably descriptive disclosure of the sponsor's overall procedures for originating or acquiring and securitizing assets of the type to be included in the ABS transaction, including credit-granting or underwriting criteria for the asset type being securitized. We would respectfully recommend that the Commission include information on the sponsor's marketing channels used to originate assets. Information on the sponsor's marketing channels would allow investors to better evaluate the credit quality of the asset pool. For example, one major credit card sponsor's market testing indicated that the probability of default for a given FICO score would be more than 10 times higher for an account that originated via an unsolicited hit on the sponsor's website than for an account originated via a pre-approved mailing.

The Proposing Release states that any "management or administration agreement" for the issuing entity would need to be filed with the S-1 or S-3. We respectfully request that the Commission clarify as to whether this reference to a "management or administrative agreement" includes the pooling and servicing agreement or equivalent document. The pooling and servicing agreement typically identifies critical terms regarding the transfer and servicing of pool assets that are not ascertainable from the description of the pooling and servicing agreement in the prospectus. Although certain

issuers file the pooling and servicing agreements as a material contract exhibit to the registration statement, other issuers do not file the agreement and instead require investors to request a copy of the agreement from the trustee for the ABS transaction. Given that the pooling and servicing agreement contains critical detail regarding the servicing of pool assets, we believe that Regulation AB should specifically require the filing of the pooling and servicing agreement as an exhibit to the S-1 and S-3. For analogous reasons, we believe that the trust indenture for an ABS offering should also be a required exhibit in S-1 and S-3 filings. We would also recommend that any amendments to the pooling and servicing agreement or the trust indenture be specifically listed as required exhibits to Form 8-K.

D. Other Basic Disclosure Items

1. Affiliations and Certain Relationships and Related Transactions.

What should be the proper scope for disclosure of affiliations and relationships between transaction parties? Should disclosure be required regarding any relationship at an individual level, such as with an executive officer or director of the sponsor, depositor or issuing entity, if applicable, that exists in connection with or apart from the asset-backed securities transaction?

We support the requirement in the Proposing Release that issuers disclose affiliations between transaction parties at both the individual and entity level. Disclosure of affiliated transactions would provide investors with information on actual and potential conflicts of interest and may serve as a deterrent to fraud in the registered ABS market. We would recommend a low threshold for the determination of an ownership percentage that is sufficient to trigger affiliate status and disclosure of any affiliated transactions.

2. Ratings.

Should additional disclosure regarding ratings or the rating process be required?

We believe that greater transparency in the ratings process is critical to investors in registered ABS offerings. Rating agencies should be required to disclose the key bases for, and any material assumptions underlying, their ratings of ABS transactions as well as the scope and nature of rating agency due diligence, particularly with respect to issues related to fraud. In particular, any information requested by the rating agency during the due diligence process but not provided should be disclosed. Rating agencies should also be required to disclose fees paid by issuers. If information is provided to the rating agencies under Regulation FD, but not to investors, the nature of the information disclosed should be provided to investors. As noted in the Proposing Release, we understand that the Commission is currently engaged in a review of the role of credit rating agencies in the operation of the securities markets and has requested comment on

the subject of information flow from rating agencies in a concept release.[6] In the concept release, the commission requested commenters' views on whether NRSRO regulation should be conditioned on disclosing the key bases of, and assumptions underlying its rating decisions. Given the importance of credit ratings in the registered ABS market, we respectfully request that the Commission consider addressing these issues in connection with the development of Regulation AB.

STATE STREET BANK AND TRUST COMPANY, acting through its division State Street Global Advisors

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[6] Concept Release: Rating Agencies and the Use of Credit Ratings under the Federal Securities Laws [Release No. 33-8236; 34-47972 (June 4, 2003)