

**SUPPORTING STATEMENT FOR PROPOSED RULES UNDER THE  
SECURITIES ACT OF 1933,  
SECURITIES EXCHANGE ACT OF 1934  
DODD-FRANK WALL STREET REFORM AND  
CONSUMER PROTECTION ACT**

This supporting statement is part of a submission under the Paperwork Reduction Act of 1995, 44 U.S.C. §3501, et seq.

**A. JUSTIFICATION**

**1. NECESSITY OF INFORMATION COLLECTION**

In Release No. 33-9148,<sup>1</sup> the Securities and Exchange Commission (the “Commission”) proposed amendments to certain rules and form requirements to implement Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“the Act”) relating to asset-backed securities (“ABS”). The proposals are designed to implement the requirements of Section 943 of the Act by providing investors with information regarding the use of representations and warranties in the ABS markets.<sup>2</sup>

The proposed amendments contain “collection of information” requirements within the meaning of the Paperwork Reduction Act of 1995. The titles for the collections of information contained by the proposed amendments are:

- “Form ABS-15G” (a proposed new collection of information);
- “Regulation S-K” (OMB Control No. 3235-0071); and
- “Rule 17g-7” (a proposed new collection of information).<sup>3</sup>

“Form ABS-15G” and “Rule 17g-7” are new collections of information created by the proposed rules. Form ABS-15G would contain disclosures required by proposed Rule 15Ga-1 that would require securitizers to provide disclosure regarding fulfilled and unfulfilled repurchase requests with respect to asset-backed securities, as required by the Act (“Exchange Act-ABS”). Rule 17g-7 would require nationally recognized statistical rating organizations (“NRSROs”) to provide disclosure regarding the representations, warranties and enforcement mechanisms available to investors in any report accompanying a credit rating issued by an NRSRO in connection with an Exchange Act-ABS transaction.

**2. PURPOSE FOR THE INFORMATION COLLECTION**

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<sup>1</sup> Disclosure for Asset-Backed Securities Required by Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Release No. 33-9148 (October 4, 2010) [75 FR 62718].

<sup>2</sup> See Section I. of Release No. 33-9148.

<sup>3</sup> As noted in Section V. of Release No. 33-9148 and also below (#12 and #13), we believe that the proposed amendments would not change the burden hours and costs associated with Regulation S-K.

The purpose of the proposed collections of information is to implement the disclosure requirements of Section 943 of the Act to provide information regarding the use of representations and warranties in the ABS markets

### **3. ROLE OF IMPROVED TECHNOLOGY AND OBSTACLES TO REDUCING BURDEN**

Form ABS-15G is required to be filed electronically with the Commission using Commission's Electronic Data Gathering and Retrieval (EDGAR) system. Rule 17g-7 disclosure is not required to be filed with the Commission.

### **4. DUPLICATION**

We are not aware of any rules that conflict with or substantially duplicate the proposed rules.

### **5. METHODS USED TO MINIMIZE BURDEN ON SMALL BUSINESSES**

The proposed amendments would not impact a significant number of small entities. Rules in the Securities Act and Exchange Act define an issuer, other than an investment company, to be a "small business" or a "small organization" if it had total assets of \$5 million or less on the last day of its most recent fiscal year. As the depositor and issuing entity are most often limited purpose entities in an ABS transaction, we focused on the sponsor in analyzing the potential impact on small entities. With respect to our proposals related to Form ABS-15G, based on our data, we only found one sponsor that could meet the definition of a small broker-dealer. With respect to our proposals related to disclosures by an NRSRO, currently there are two NRSROs that are classified as "small" entities. As noted above, we are not prescribing how an NRSRO must fulfill its responsibility to compare the terms of a deal to those of similar securities.

### **6. DESCRIPTION OF CONSEQUENCES OF LESS FREQUENT COLLECTION**

The objectives of offering disclosure requirements under the Securities Act and the ongoing disclosure requirements under the Exchange Act could not be met with less frequent collection of this information for asset-backed securities.

### **7. EXPLANATION OF SPECIAL CIRCUMSTANCES/INCONSISTENCIES WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

None.

### **8. CONSULTATION OUTSIDE THE AGENCY**

The Commission has issued a release soliciting comment on the new “collection of information” requirements and associated paperwork burdens. A copy of the release is attached. Comments on the Commission releases are generally received from registrants, investors, and other market participants. In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, meetings and informal exchanges. The Commission will consider all comments received.

## **9. PAYMENT OR GIFT TO RESPONDENTS**

Not applicable.

## **10. ASSURANCE OF CONFIDENTIALITY**

Form ABS-15G would be made publicly available. Rule 17g-7 disclosure is not filed with the Commission; such disclosure would be provided in any report accompanying a credit rating by an NRSRO in connection with an Exchange Act-ABS transaction.

## **11. SENSITIVE QUESTIONS**

Not applicable.

## **12. AND 13. ESTIMATES OF HOUR AND BURDEN COSTS**

The paperwork burden estimates associated with the proposal include the burdens attributable to collecting, preparing, reviewing and retaining records. For Form ABS-15G, the burden also includes filing the information with the Commission on EDGAR.

Our PRA burden estimates for the proposed amendments are based on information that we receive on entities assigned to Standard Industrial Classification Code 6189, the code used with respect to asset-backed securities, as well as information from outside data sources.<sup>4</sup> When possible, we base our estimates on an average of the data that we have available for years 2004, 2005, 2006, 2007, 2008, and 2009.

### **a. Form ABS-15G**

Form ABS-15G is a new collection of information to implement Section 943 of the Act. Under the proposed amendments, securitizers would be required to disclose demand, repurchase and replacement history with respect to pool asset across all trusts aggregated by a securitizer. The new information would be required at the time a securitizer offers

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<sup>4</sup> We rely on two outside sources of ABS issuance data. We use the ABS issuance data from Asset-Backed Alert on the initial terms of offerings, and we supplement that data with information from Securities Data Corporation (SDC).

Exchange Act-ABS after the implementation of the proposed rule, and then monthly, on an ongoing basis as long as the securitizer has Exchange Act-ABS outstanding held by non-affiliates. The disclosures would be filed on EDGAR on proposed Form ABS-15G. We believe that the costs of implementation would include costs of collecting the historical information, software costs, costs of maintaining the required information, and costs of preparing and filing the form. Although the proposed requirements apply to securitizers, which by definition would include sponsors and issuers, we base our estimates on the number of unique ABS sponsors because we are also proposing that issuers affiliated with a sponsor would not have to file a separate Form ABS-15G to provide the same proposed Rule 15Ga-1 disclosures. We base our estimates on the number of unique ABS securitizers (i.e., sponsors) over 2004-2009, which was 540, for an average of 90 unique securitizers per year.<sup>5</sup> We base our burden estimates for this collection of information on the assumption that most of the costs of implementation would be incurred before the securitizer files its first Form ABS-15G. Because ABS issuers currently have access to systems that track the performance of the assets in a pool we believe that securitizers should also have access to information regarding whether an asset had been repurchase or replaced. However, securitizers may not have historically collected the information and systems may not currently be in place to track when a demand has been made, and in particular, systems may not be in place to track those demands made by investors upon trustees. Therefore, securitizers would incur a one-time cost to compile historical information in systems. Furthermore, the burden to collect and compile the historical information may vary significantly between securitizers, due to the number of asset classes and number of ABS issued by a securitizer.

We estimate that a securitizer would incur a one-time setup cost for the initial filing of 972 hours to collect and compile historical information and adjust its existing systems to collect and provide the required information going forward.<sup>6</sup> Therefore, we estimate that it would take a total of 87,480 hours for a securitizer to set up the mechanisms to file the initial Rule 15Ga-1 disclosures.<sup>7</sup> We allocate 75% of these hours (65,610 hours) to internal burden for all securitizers. For the remaining 25% of these hours (21,870 hours), we use an estimate of \$400 per hour for external costs for retaining outside professionals totaling \$8,748,000.

After a securitizer has made the necessary adjustments to its systems in connection with the proposed rule and, after an initial filing of Form ABS-15G disclosures has been made, we estimate that each subsequent filing of Form ABS-15G to disclose ongoing information by a securitizer will take approximately 30 hours to prepare, review and file. We estimate, for PRA purposes, that the number of Form ABS-15G filings per year will be 1,620.<sup>8</sup>

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<sup>5</sup> We base the number of unique sponsors on data from SDC.

<sup>6</sup> The value of 972 hours for setup costs is based on staff experience. We estimate that 672 of those hours will be to set up systems to track the information and is calculated using an estimate of two computer programmers for two months, which equals 21 days per month times two employees times two months times eight hours per day.

<sup>7</sup> 972 hours to adjust existing systems per securitizer X 90 average number of unique securitizers

Therefore, after the initial filing is made, we estimate the total annual burden hours for preparing and filing the disclosure will be 48,600 hours.<sup>9</sup> We allocate 75% of those hours (36,450 hours) to internal burden hours for all securitizers and 25% of those hours (12,150 hours) for professional costs totaling \$400 per hour of external costs of retaining outside professionals totaling \$ 4,860,000. Therefore, the total internal burden hours are 102,060<sup>10</sup> and the total external costs are \$13,608,000.<sup>11</sup>

We are proposing that asset-backed securities offered on Forms S-1 and S-3 include the required Rule 15Ga-1 disclosures for the same asset class in registration statements. The burden for the collection of information is reflected in the burden hours for Form ABS-15G filed by a securitizer; however, Forms S-1 and S-3 are filed by asset-backed issuers, and issuers may include only a portion of the information in the prospectus. Therefore, we have not included additional burdens for Forms S-1 and S-3.

In 2004, we adopted Form 10-D as a new form limited to asset-backed issuers. This form is filed within 15 days of each required distribution date on the asset-backed securities, as specified in the governing documents for such securities. The form contains periodic distribution and pool performance information.

We are proposing that issuers of registered ABS include the proposed Rule 15Ga-1 disclosures for only the pool assets on Form 10-D. However, because the burden for the collection of information is reflected in the burden hours for Form ABS-15G, we have not included additional burdens for Form 10-D.

## **b. Regulation S-K**

Regulation S-K, which includes the item requirements in Regulation AB, contains the requirements for disclosure that an issuer must provide in filings under both the Securities

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<sup>8</sup> The Form ABS-15G is required to be filed on a monthly basis; however, we are estimating that, in the first year after implementation, the number of Form ABS-15G per year would be a multiple of six times the number of unique securitizers per year since the obligation to initially file Form ABS-15G is an offering of Exchange Act-ABS, which could happen at any time of the year. Therefore, in the first year of implementation, a securitizer would most likely not be obligated to file Form ABS-15G for the full 12 months. Thus, we estimate the total number of Form ABS-15G to be filed in the first year after implementation to be 540 (90 unique securitizers year one X 6).

In the second year after implementation, we estimate the number of Form ABS-15G to be filed will be 1080 for a total of 1,620 (90 unique securitizers year one X 12) + (90 unique securitizers year two X 6). In the third year after implementation, we estimate the number of Form ABS-15G to be filed will be 2,160 for a total of 2,700 (90 unique securitizers year one X 12) + (90 unique securitizers year two X 12) + (90 unique securitizers year three X 6). The total number of Forms 15G-ABS over three years, would therefore be 4,860. Therefore, for PRA purposes, we estimate an annual average of 1,620 Form ABS-15G filings.

<sup>9</sup> 30 hours X 1,620 forms

<sup>10</sup> 65,610 hours + 36,450 hours

<sup>11</sup> \$8,748,000 + \$4,860,000

Act and the Exchange Act. In 2004, we noted that the collection of information requirements associated with Regulation S-K as it applies to ABS issuers are included in Form S-1, Form S-3, Form 10-K and Form 8-K. We have retained an estimate of one burden hour to Regulation S-K for administrative convenience to reflect that the changes to the regulation did not impose a direct burden on companies.<sup>12</sup>

The proposed changes would make revisions to Regulation S-K. The collection of information requirements, however, are reflected in the burden hours estimated for the various Securities Act and Exchange Act forms related to ABS issuers. The rules in Regulation S-K do not impose any separate burden. Consistent with historical practice, we have retained an estimate of one burden hour to Regulation S-K for administrative convenience.

### **c. Rule 17g-7**

Rule 17g-7 is a new collection of information that relates to proposed disclosure requirements for NRSROs. Under the proposed amendments, an NRSRO would be required to disclose in any report accompanying a credit rating the representations, warranties and enforcement mechanisms available to investors and describe how they differ from those in issuances of similar securities. We believe that the costs of implementation would include the cost of preparing the report and maintaining the information. In addition, it is our understanding that the disclosures and drafts of transaction agreements that contain the representations, warranties and enforcement mechanisms related to an ABS transaction are prepared by the issuer and made available to NRSROs during the rating process. We estimate it would take 1 hour per ABS transaction to review the relevant disclosures prepared by an issuer, which an NRSRO would presumably have reviewed as part of the rating process, and convert those disclosures into a format suitable for inclusion in any report to be issued by an NRSRO. The proposed rule would also require an NRSRO to include disclosures describing how the representations, warranties and enforcement mechanisms differ from those provided in similar securities. Although we are not prescribing how an NRSRO must fulfill this requirement, we anticipate that one way an NRSRO could do so would be to review previous issuances both on an initial and an ongoing basis in order to establish “benchmarks” for various types of securities and revise them as appropriate. We expect that an NRSRO would incur an initial setup cost to collect, maintain and analyze previous issuances to establish benchmarks as well as an ongoing cost to review the benchmarks to ensure that they remain appropriate. We estimate that the initial review and set up system cost will take 100 hours and that NRSROs will spend an additional 100 hours per year revising the various benchmarks. Therefore, we estimate it would take a total of 3,000 hours<sup>13</sup> for NRSROs to set up systems and an additional 3,000 hours per year revising various benchmarks.<sup>14</sup>

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<sup>12</sup> See Asset-Backed Securities, SEC Release 33-8518 (December 22, 2004) [70 FR 1506].

<sup>13</sup> 100 hours X 30 NRSROs.

<sup>14</sup> 100 hours X 30 NRSROs.

On a deal-by-deal basis, we estimate it would take an NRSRO 10 hours per ABS transaction to compare the terms of the current deal to those of similar securities. Because NRSROs would need to provide the disclosures in connection with the issuance of a credit rating on a particular offering of ABS, we base our estimates on an annual average of 2,067 ABS offerings.<sup>15</sup> Typically, the terms of the transaction agreements condition the issuance of an ABS on a credit rating, and generally, two credit ratings are required, resulting in the hiring of two NRSROs per transaction, although some may only require one credit rating and thus the hiring of one NRSRO. However, we anticipate that our recent amendments to Rule 17g-5, which provide a mechanism for allowing non-hired NRSROs to obtain the same information provided to NRSROs hired to rate structured finance transactions, will promote the issuance of credit ratings by NRSROs that are not hired by the arranger.<sup>16</sup> As a result, we assign 4 to the number of credit ratings per issuance of ABS, based on an average of two NRSROs preparing two reports (pre-sale and final) for each transaction, resulting in an aggregate of 90,948 hours to prepare the reports.<sup>17</sup> Therefore, we estimate that it would take a total of 96,948 hours, annually, for NRSROs to provide the proposed Rule 17g-7 disclosures.<sup>18</sup>

**d. Summary of Proposed Changes to Annual Burden Compliance in Collection of Information**

The table below illustrates the annual compliance burden of the collection of information in hours and costs for the new proposed disclosure requirements for securitizers and NRSROs. Below, the proposed Rule 15Ga-1 requirement for securitizers is noted as “Form ABS-15G” and the proposed requirement for NRSROs is noted as “17g-7.”

Form	Current Annual Responses	Proposed Annual Responses	Current Burden Hours	Decrease or Increase in Burden Hours	Proposed Burden Hours	Current Professional Costs	Decrease or Increase in Professional Costs	Proposed Professional Costs
<b>Form ABS-</b>	-	1,620	-	102,060	102,060	-	13,608,000	13,608,000

<sup>15</sup> The annual average number of registered offerings was 958 and the annual average number of Rule 144A ABS offerings was 716 for an estimated annual average of 1,674 over the period 2004-2009. See Section X. of Asset Backed Securities, SEC Release No. 33-9117 (April 7, 2010) [75 FR 23328] (the “2010 ABS Proposing Release”). We also add 393 to estimate for offerings under other exemptions that were not within the scope of the 2010 ABS Proposing Release. Thus, in total we use an estimated annual average number of 2,067 ABS offerings for the basis of our PRA burden estimates.

<sup>16</sup> See Amendments to Rules for Nationally Recognized Statistical Rating Organizations, SEC Release 34-61050 (November 23, 2009), [74 FR 63832].

<sup>17</sup> 4 reports X 2,067 ABS offerings X 11 hours (1 hour to review disclosures + 10 hours to compare and prepare).

<sup>18</sup> 90,948 hours for report preparation + 6,000 hours for benchmark preparation.

<b>15G</b>								
<b>17g-7</b>	-	8,268	-	96,948	96,948		-	-

**14. ESTIMATE OF COST TO FEDERAL GOVERNMENT**

We estimate that the cost of preparing the amendments will be approximately \$100,000.

**15. EXPLANATION OF CHANGES IN BURDEN**

The proposals in Release No. 33-9148 implement the requirements of Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The new burden of Form ABS-15G is necessary to implement Section 943(2) which requires securitizers to disclose fulfilled and unfulfilled repurchase requests relating to representations and warranties so that investors may identify asset originators with clear underwriting deficiencies. Form ABS-15G would result in 102,060 burden hours and a cost burden of \$13,608,000 for services of outside professionals.

The new burden of Rule 17g-7 is necessary to implement Section 943(1) which requires nationally recognized statistical rating organizations to provide disclosures on the use of representations, warranties and enforcement mechanisms in the market for asset-backed securities. Rule 17g-7 would result in an increase of 96,948 burden hours.

**16. INFORMATION COLLECTIONS PLANNED FOR STATISTICAL PURPOSES**

Not applicable.

**17. EXPLANATION AS TO WHY EXPIRATION DATE WILL NOT BE DISPLAYED**

Not applicable.

**18. EXCEPTIONS TO CERTIFICATION**

Not applicable.

**B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not applicable.