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B-326276

October 9, 2014

The Honorable Tim Johnson
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Asset-Backed Securities Disclosure and Registration*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (Commission) entitled "Asset-Backed Securities Disclosure and Registration" (RIN: 3235-AK37). We received the rule on September 4, 2014. It was published in the *Federal Register* as a final rule on September 24, 2014, with an effective date of November 24, 2014. 79 Fed. Reg. 57,184.

The final rule revises the regulations governing the offering process, disclosure, and reporting for asset-backed securities (ABS). The final rule requires that, with some exceptions, prospectuses for public offerings of asset-backed securities backed by real estate related assets, auto related assets, or backed by debt securities, including resecuritizations, contain specified asset-level information about each of the assets in the pool. The asset-level information is required to be provided according to specified standards and in a tagged data format using eXtensible Markup Language. The rule also revises filing deadlines for ABS offerings to provide investors with more time to consider transaction-specific information, including information about the pool assets. In addition, the final rule adopts new registration forms tailored to ABS offerings. The final rule repeals the credit ratings references in shelf eligibility criteria for ABS issuers and establishes new shelf eligibility criteria.

Enclosed is our assessment of the Commission's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that the Commission complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Kevin O'Neill
Deputy Secretary
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
"ASSET-BACKED SECURITIES
DISCLOSURE AND REGISTRATION"
(RIN: 3235-AK37)

(i) Cost-benefit analysis

The Securities and Exchange Commission (the Commission) analyzed the costs and benefits of this final rule. To assess the economic consequences, the Commission used as a baseline, the asset-backed securities (ABS) market as it existed at the end of 2013. The Commission noted that for many asset classes, the ABS market before the 2007-2009 financial crisis differed significantly from the one immediately after the crisis and even from the market that exists today. For example, private label ABS issuers held \$2.6 trillion in assets in 2004, which grew to \$4.5 trillion in 2007, and declined to \$1.63 trillion in 2013. The costs associated with the rule's disclosure requirements are discussed below in connection with the Paperwork Reduction Act. The Commission estimates that the net increase in burden to be 245,540 hours with a net increase in professional costs of \$70,937,863. Most of the direct costs of this rule fall onto the sponsors of ABS, since they will initially bear any increased costs of compliance and implementation of the new requirements; however, there is some uncertainty surrounding who will ultimately bear these direct compliance costs.

Among the benefits identified by the Commission, is an improvement in investors' willingness to invest in asset-backed securities and to help the recovery in the ABS market with attendant positive effects on informational and allocative efficiency, competition, and the level of capital formation. Enhanced ABS disclosures and the potential for improved pricing accuracy of the ABS market should ultimately benefit issuers in the form of a lower cost of capital and increased investor participation. The Commission expects that increased transparency in the market and more certainty about the quality of underlying assets should result in lower required yields, and a larger number of investors should be willing to participate in the market because of reduced uncertainty and risk. This, in turn, would allow originators to conserve costly capital and to diversify credit risks among many investors. Further, the Commission believes that credit risk transfer will result in greater efficiency in the lending decisions of originators, the lowering of credit costs, and ultimately greater capital availability through higher loan levels.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Commission determined that this final rule will not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Commission is not subject to title II of the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

On May 3, 2010, the Commission published a proposed rule. 75 Fed. Reg. 23,328. After the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Commission published a new proposed rule. 76 Fed. Reg. 47,948 (Aug. 5, 2011). In February 2014, the Commission reopened the comment period on the earlier proposed rules, which was then extended. 79 Fed. Reg. 11,361 (Feb. 28, 2014); 79 Fed. Reg. 18,483 (Apr. 2, 2014). The Commission responded to comments in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Commission determined that this rule would impose new information collection requirements or change the estimated burden for existing information collection requirements under the Act. The Commission identified four existing forms (Forms S-3, S-1, 10-K, and 10-D) and three new forms (Forms SF-3, SF-1, and ABS-EE). For Forms S-3 and S-1 the Commission estimates that the burden will decrease, and for all the other forms, the Commission estimates that the burden will increase. The Commission estimates the net increase in burden to be 245,540 hours with a net increase in professional costs of \$70,937,863.

Statutory authorization for the rule

The Commission promulgated this final rule under the authority of sections 5 to 8, 10, 19(a), and 28 of the Securities Act of 1933 and sections 12, 13, 15, 23(a), 35A, and 36 of the Securities Exchange Act of 1934, and section 319 of the Trust Indenture Act of 1939. 15 U.S.C. §§ 77e to 77h, 77j, 77s(a), 77z-3, 77sss, 78l, 78m, 78o, 78w(a), 78kk, 78ll.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Commission is not subject to the review requirements of the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Commission is not subject to the review requirements of the Order.