March 1, 2023

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, Dc 20549-1090
Re: Extension Request on Proposed Rule on Proposed Rule 192, Conflicts of Interest under Section 27B of Section 621 of the Dodd-Frank Act (File Number S7-01-23)

Dear Ms. Countryman,

The LSTA writes to request an extension of the comment period for the recently re-proposed securitization conflicts of interest rule mandated by Section 27B of Section 621 of the Dodd-Frank Act (Release No. 33-11151; File No. S7-01-23), "*Prohibition Against Conflicts of Interest in Certain Securitizations,*" released on January 25, 2023. While we look forward to responding to the Commission, not nearly enough time has been provided for the careful consideration that this important proposal requires. As explained briefly below, this is especially true for collateralized loan obligations ("CLOs") and the institutional loan market.

As was noted in a recent joint-trade-association letter that we joined[1], the reproposed rule has an extensive scope that would impact every asset-backed securities transaction and all participants – and even some non-participants – in securitization markets both inside and outside of the United States, as well as their affiliates. As drafted, the reproposed rule could lead to an explicit prohibition on a number of ordinary-course securitization activities, including normal prudential risk management activities of banks and insurance companies and the extension of consumer and commercial credit.[2] Therefore, it merits careful consideration from a broad range of market participants, including investors, asset managers and servicers, securitization issuers, asset originators, CLO managers, banks, broker-dealers, originators, prudential regulators, and many other stakeholders.

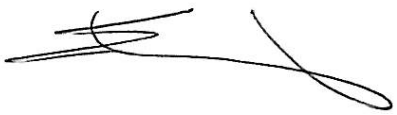
Given the significant number of specific requests for comments, the broad scope of the re-proposed rule, the extensive changes since 2011 in securitization markets and their regulatory scheme, as well as multiple overlapping public comment periods from the Commission that affect the same market participants[3], we believe that this re-proposal also merits a comment

[1] https://www.sec.gov/comments/s7-01-23/s70123-20157901-326057.pdf
[2] In its requests for comment #98 through #112, the Commission itself clearly recognizes the broad economic implications of the proposed rule and its concern that those implications may not have been adequately identified and quantified by the Commission.
[3] Concurrent open SEC comment periods overlapping with this re-proposed rule include *Proposed Liquidity Management Rule* [see Release Nos. 33-11130; IC-34746; File No. S7-26-22; RIN 3235-AM98]; *Regulation Best Execution* [see Release No. 34-96496; File No. S7-32-22; RIN 3235-AN24]; and *Safeguarding Advisory Client Assets* [see Release No. IA-6240; File No. S7-04-23; RIN 3235-AM32]

period that provides industry participants with sufficient time to carefully analyze all of the issues presented. Participants in the CLO market are particularly concerned. The extremely broad definition of "securitization participant" and the expansive and vague definition of "conflicted transactions", coupled with the existence of an active, two-way market in most of the underlying loans that are included in typical open market CLOs, present unique challenges to the loan and CLO markets. This is especially so in light of the inability under the proposal to rely on classic information barriers or disclosure and consent from investors. As a consequence, unless the unusually short deadline is substantially extended, we will be unable to submit our comments by the deadline and instead will do so in a series of letters, some of which will be submitted after the deadline.

CLOs provide a trillion dollars of capital for US companies, represent 67% of the market for broadly syndicated institutional loans and a significant portion of the growing market for private, direct credit loans. Additionally, CLOs have never demonstrated a conflict of interest, have performed extraordinarily well through many credit cycles and, in fact, have default rates well below equivalently rated corporate debt. It is imperative that we all work together to avoid unintentionally harming these important – and well-performing – market segments. Additional time will allow the industry to provide comments that will assist the Commission in carrying out Congressional intent while minimizing inadvertent and potentially extensive negative impacts on CLOs, corporate borrowers that rely on them for access to credit and on the economy more broadly. We therefore request an extension from the current deadline until a date that is no sooner than June 24, 2023.

We again appreciate the opportunity to provide feedback on this important issue, and look forward to hearing from you at your earliest opportunity regarding an extension of the response deadline.



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