June 20th, 2012

Via email: rule-comments@sec.gov

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Attn: Elisabeth M. Murphy, Secretary

RE: Proposed Rule 127B and its effect on synthetic balance sheet securitisations

Ladies and Gentlemen,

We are a leading pension administrator in The Netherlands, named PGGM, and currently manage €121 billion (April 30, 2012) of pension assets for a number of Dutch pension funds, including € 116 billion (April 30, 2012) for the pension fund for the care and healthcare sector ("***PFZW***").

We write to you regarding the proposed SEC Rule 127B implementing the prohibition under Section 621 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 on material conflicts of interest in connection with certain securitisations ("***Rule 127B***"). We understand that Rule 127B will prohibit synthetic balance sheet securitisations in which we have been successfully investing in for our client PFZW since late 2006. All of these investments have been structured using the credit-linked notes format which we would like to continue to use for future investments.

The type of transactions we are referring to are so called risk sharing transactions with banks where we structure investments through which we take over part of the credit risk a bank holds on its balance sheet. The way in which we approach and set up such transactions is described below. We hope you will see we have been concerned about the same elements as you and which you want to address in your proposed Rule 127B. We would like to share with you how we have been addressing these points.

The number of risk sharing transactions we have entered into exceeds ten and the aggregate invested notional amount is more than € 2 billion, illustrating that the investments are of substantial size.

We focus on credit risk that is forthcoming from a successful core activity of a bank, and only (directly) invest in portfolios of banks that are a worldwide "top 5" player in such field of activity. The reason to have this focus is that it is relevant to us that the activity is strongly imbedded in the bank's DNA, gets a lot of attention from senior management and the means to ensure it is properly (risk) managed in the firm.

We insist there is a strong alignment of interest between parties, resulting in the bank holding at least 25% up to 33% of every credit exposure on their books unhedged. When a credit event

results in a loss for the bank, an independent verification agent is used to verify a credit claim, if any, was validly made before any payments are done.
This alignment of interest requirement is of such a size that potential losses are not easily covered by upfront underwriting fees and a few periodic coupon payments. The undesired effects of the "originate to sell" model are significantly reduced by insisting the underwriter holds a significant portion of the exposure.

We pay significant attention to the bank's processes regarding the (lending) activity we intend to share the credit risk of. We invest a lot of time in extensive and intensive due diligence to fully understand all relevant processes within the bank, such as origination, monitoring, work-out , risk management, fit within overall strategy, et cetera. In effect, we "subscribe" to these processes by entering into a risk sharing transaction with the respective bank.
As such, we do not need to know the individual names of the underlying entities in the risk sharing portfolio, however, we need to know all the risk characteristics of each line item, such as internal credit rating, industry sector, country, tenor, senior/subordinated, et cetera.

Understanding the underlying type of credit risk is another key element of our approach and due diligence. If we do not understand the underlying risk, we will not invest.

In addition to the above, we also want to benefit from the bank's work-out process and always strive to settle final loss at the same level as the bank reports on their profit & loss account. Full alignment of interest all the way and the bank's significant and relevant share in the loss contributes to this.

We strongly prefer to work directly with the bank in question. For another party to be involved there needs to be a very good reason and we would be questioning the potential conflicts of interest created by such a third party or the lack of them having 'skin in the game' (such as receiving an upfront advisory fee without being held to long term performance of their work).

When structuring a transaction, we always start with a reference portfolio that is a good reflection of the bank's total portfolio and will then work to reduce concentration risks in terms of various risk characteristics. The resulting risk sharing portfolio is very granular and the majority of the positions are illiquid names. Single obligor group limits, sector limits, rating bucket limits, geographical limits, combination of sector and geographical concentrations are all examples of criteria the reference portfolio has to adhere to.

We also require rating affirmation of each position that enters the reference portfolio to ensure adverse selection is reduced as much as possible. Another tool used to avoid adverse selection is to insist on an automated program used to select new additions to the risk sharing portfolio (instead of manual selection by individuals).

In terms of pricing these investments, we use market credit spreads and correlation, and do not look at the price of the loans the banks use themselves. We also take into account the cost of capital of the bank. In a typical structure of the investment the bank enters into a CDS (credit default swap) with an SPE (also known as an SPV, special purpose vehicle) and the SPE issues notes (credit-linked notes) to the investor in order to ensure sufficient funds are available to pay for valid claims under the CDS.

The credit losses covered by the CDS refer typically to the first loss tranche (sometimes also a second loss tranche), meaning it covers losses in the reference portfolio up to a maximum amount (expressed as a percentage of the initial reference portfolio notional amount).

Our experience has been that the risk sharing transactions we have entered into are mutually beneficial for both our client and the banks. The banks receive a perfect hedge on the names in the risk sharing portfolio (majority of exposures is typically not publicly traded) and often capital relief as well. Our client gets a unique tailor-made investment with an attractive risk-return profile. We structure what we call robust transactions that need to provide a better risk-return profile than equities, also in adverse economic circumstances. The credit losses in the risk sharing transactions have so far been less than expected at the inception of the transactions.

As an active, experienced and one of the world's largest investors in this niche, we are very open to have a further dialogue with you if you find that helpful.

Sincerely,

Ruulke Bagijn
CIO Private Markets
PGGM Investments