SHENKMAN

October 30, 2013

By Electronic Submission

To the Addressees Set Forth on Annex A

Re: **Notice of Proposed Rulemaking, Credit Risk Retention**
SEC (File No. S7-14-11); FDIC (RIN 3064-AD74); OCC (Docket No. OCC-2013-0010); FRB (Docket No. R-1411); FHFA (RIN 2590-AA43); HUD (RIN 2501-AD53)

Ladies and Gentlemen:

Shenkman Capital Management, Inc. ("Shenkman") is pleased to submit these comments in response to the joint Further Notice of Proposed Rulemaking, 78 Fed. Reg. 57928 (Sept. 20, 2013; originally released Aug. 28, 2013), concerning risk retention and the implementation of Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act").

Shenkman is a registered investment adviser under the Investment Advisers Act of 1940, as amended, and as of September 30, 2013 managed over $23 billion in assets. Shenkman currently manages three CLOs, is in the process of establishing a fourth and, depending upon the market and regulatory environment, anticipates establishing an additional four CLOs in 2014.

The proposed requirement that CLO managers retain five percent of the fair value of a CLO's capital structure would dramatically restrict CLO formation and would effectively prohibit us from establishing and managing future CLOs, since we possess neither the infrastructure nor structural capacity to hold such illiquid positions. Numerous CLO managers are faced with similarly insurmountable obstacles, while others are simply too small to secure funds of that magnitude. For the limited number of CLO managers with the capacity and ability to hold such a significant position, doing so would likely require a wholesale restructuring of their current business models and anticipated returns, which in many cases would force such managers to reallocate their time and resources toward other, more profitable enterprises.

Based on our extensive experience, we firmly believe that the proposed rules, if passed, would cause a sharp decline in the size of the CLO market, and significantly impair the loan market's functioning as a whole. The agencies seem to agree with this assessment, since they have proposed that CLO managers could also satisfy the risk retention requirement by purchasing only "CLO-eligible tranches" for inclusion in the CLO collateral portfolio. It is clear to us from market reaction that this alternative approach is neither practical nor viable. Simply put, the agencies have failed to demonstrate that the benefits of the proposed risk retention rules exceed the costs that the rules would impose on CLO industry participants and the public interest generally.

Moreover, it is clear that the agencies could meet their risk retention objectives by alternative means. One such alternative is the approach that has been advocated by the LSTA, which would require CLO managers to hold a set of securities that embody the compensation structure and alignment of CLO manager and investor interests currently endorsed by the market, while also purchasing an interest in the CLO's equity so as to remove any doubt that appropriate incentives apply to CLO managers' asset selection decisions.

Shenkman appreciates the agencies' consideration of these comments and would be pleased to provide additional information or assessments that might assist the agencies' decision-making. Please feel free to contact David Lerner, Senior Vice President, at (212) 867-9090 should you have questions regarding the above.

Sincerely,

Mark L. Shenkman

Mark. R Shenkman
President

Annex A

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