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October 30, 2013

By Electronic Submission

Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve
System
20th Street and Constitution Ave., N.W.
Washington, D.C. 20551

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Alfred M. Pollard, Esq.
General Counsel
Federal Housing Finance Agency
1700 G Street, N.W.
Washington, D.C. 20552

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Regulations Division
Office of General Counsel
Department of Housing and Urban
Development
451 7th Street, S.W., Room 10276
Washington, D.C. 20410-0500

Re: Notice of Proposed Rulemaking, Credit Risk Retention
SEC (Release No. 34-64148; File No. S7-14-11); FDIC (RIN 3064-AD74);
OCC (Docket No. OCC-2011-0002); FRB (Docket No. 2011-1411);
FHFA (RIN 2590-AA43); HUD (RIN 2501-AD53)

Ladies and Gentlemen:

Canaras Capital Management, LLC and Canaras Management Limited (collectively, "Canaras") are 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) ("FNPRM"), 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").

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I. Overview.

Canaras believes that bank loan CLOs do not present the risks associated with the originate-to-distribute model that Section 941 was designed to address. The structure of bank loan CLOs and the independence of the managers ensure that their managers act consistently with investors' interests. In contrast with other asset backed securities, the performance of actively managed bank loan CLOs during the recent financial crisis confirms the robustness of these incentives, as does the recent resurgence of the CLO market.

Nevertheless, Canaras acknowledges and does not oppose the rationale for requiring that managers have "skin in the game." Over the past 3 years, European regulators studied risk retention standards and have now issued the Capital Requirements Directive-IV ("CRD-IV"). Managers and investors are adapting to the new requirements and the major market problem at present is that these standards have not been finalized. Given that the European market is clearly and inevitably moving to this standard, Canaras believes that the greater risk is not that the US will implement a risk retention requirement but rather that the US regulations will conflict with the European regulations. Inconsistent regulations would bifurcate the market for CLO securities into mutually exclusive European and American issues and would substantially reduce market liquidity.

II. Our Experience with CLOs and Commercial Loan Markets.

Canaras professionals have participated in the syndicated loan market since its inception and have substantial experience in structuring, managing and investing in CLOs on a large scale. Canaras currently manages two existing CLOs that were issued in 2007 with approximately US\$630 million assets. These CLOs are now being refinanced and expanded in compliance with the CRD-IV regulations. The securities issued by these CLOs will be acquired by both American and European investors and, at present, the US and European investors have confidence that there will be a broad and deep secondary market for these investments, should they choose to sell them in the future. If the US risk retention regulations diverge from those already adopted in Europe, investors will lose this confidence and markets will shrink and become less liquid. Ultimately, this will reduce demand for US bank loans and raise costs for borrowers.

We therefore reiterate our strong recommendation that US rules should not diverge from those in Europe.

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Canaras 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 me in the event you have questions regarding these observations and conclusions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Anthony R. Clemente". The signature is fluid and cursive, with a large initial "A" and "C".

Anthony R. Clemente
Chief Executive Officer, Canaras Capital Management LLC
Director, Canaras Management Limited

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