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June 8, 2012

Office of the Comptroller of the Currency
Attention: Louise Francis, Commercial Credit Technical Expert
250 E Street, S.W., Mail Stop 2-3,
Washington, DC 20219.
Email: regs.comments@occ.treas.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Robert Feldman
Executive Secretary
Attn: Comments/Legal ESS,
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

RE: Proposed Leveraged Lending Guidance (Docket Numbers OCC-2011-0028 & OP-1439)

Ladies and Gentlemen:

Interactive Data is pleased to provide comments to the Proposed Leveraged Lending Guidance (Docket Numbers OCC-2011-0028 & OP-1439) issued by the Office of the Comptroller of the Currency, Treasury; Board of Governors of the Federal Reserve System; and the Federal Deposit Insurance Corporation (collectively, the "Agencies") on March 30, 2012. We believe that the proposed guidance is an important update to the 2001 guidance issued by the Agencies. The proposed guidance recognizes the evolution of the leveraged lending sector over the past decade, and supports the Agencies' supervisory focus and review of supervised financial institutions.

Background on Interactive Data Corporation:

Interactive Data Corporation is a trusted leader in financial information. Thousands of financial institutions, including many of the world's leading buy-side money management firms, subscribe to our fixed income evaluations, reference data, real-time market data, trading infrastructure services, fixed income analytics, desktop solutions and hosted, web-based solutions. Interactive Data's offerings are used to assist clients with mission-critical functions, including portfolio valuation, regulatory compliance and risk management.

For over 40 years, Interactive Data's Pricing and Reference Data business has been collecting, editing, maintaining, and delivering financial data. This business, which is a registered investment adviser, has established itself as a leading independent provider of evaluated pricing for 2.8 million fixed income securities, international equities and other hard-to-value instruments. In particular, we are in the process of introducing a new evaluated pricing service for leveraged loans. Our evaluated pricing services are complemented by a comprehensive range of reference data for more than 10 million securities that encompasses listed markets pricing, identification information, corporate actions, and terms and conditions for fixed income securities.

In recent years, we have invested considerable resources to provide our clients with greater insight and transparency into the inputs used to derive our evaluated prices. We believe that the expertise and experience we have accumulated over the years as a leading provider of evaluated pricing services affords us a unique perspective on certain aspects of this proposal, particularly those pertaining to the secondary market for leveraged loans. Consequently, we have focused the majority of our comments on the Reporting and Analytics section of the proposal.

Reporting and Analytics:

We believe that updated guidance is appropriate since leveraged lending has become an increasingly significant component of the capital markets. According to Invesco, leveraged loans represented 17% of overall corporate debt issuance in 2010.[1] Furthermore, secondary trading of leveraged loans has grown notably over the past decade from $100 billion in secondary volume in 2000 to approximately $400 billion in 2011[2].

We support the efforts of organizations such as the Loan Syndication and Trading Association (LSTA) to promote a fair, orderly, efficient and growing corporate leveraged loans market, including initiatives aimed at increasing transparency and efficiency of this market. Although the number of leveraged loans that trade increased sharply during the past decade and compares favorably to corporate and high yield bond trading statistics, liquidity issues persist. The latest LSTA statistics show that 57% of the leveraged loans within the LSTA's Mark-to-Market universe traded last quarter, and of those loans that traded, approximately 30% traded less than five times per quarter.[3]

As an independent provider of evaluated pricing services covering a range of asset classes that will soon include leveraged loans, we support the Agency's position that "secondary market pricing data and trading volume when available" should form an integral part of a financial institution's policies to provide accurate and timely reporting to management and the board. Consequently, we support efforts by regulatory agencies and industry groups to improve transparency across all asset classes, including leveraged loans. We strongly believe that greater insight into leveraged loan trading activity will facilitate higher quality secondary market pricing information for both actively traded and less liquid leveraged loans. This valuation information is

[1] Credit Suisse, Data as of 12/31/10
[2] The 1Q 2012 LSTA Secondary Trading & Settlement Study, page 14, April 24, 2012
[3] The 1Q 2012 LSSA Secondary Trading & Settlement Study, page 30, April 24, 2012

critical to support financial institutions' risk modeling, monitoring and stress-testing of positions and portfolios, as well as for accounting and other applications.

We recommend that the Agencies consider incorporating the following additional principles into the proposed guidance on leveraged lending with respect to the availability of secondary market pricing data for leveraged loans:

- **Independence:** We believe that independent pricing information is an important input to a financial institution's valuation and modeling processes. Our position also extends support for the Agencies' Conflict of Interest recommendation that "institutions should develop appropriate policies to address and prevent potential conflicts of interest … Policies should clearly define potential conflicts of interest, identify appropriate risk management controls and procedures ... and ensure compliance with applicable law." Interactive Data believes that leveraged loans pricing should be free of actual or perceived conflicts of interest. In connection with their review of leveraged loan policies and procedures, financial institutions should consider whether there may be any conflicts of interest as a result of affiliations or material business relationships with a provider of leveraged loans valuations or pricing services.

- **Transparency of Valuation Information:** We believe the Agencies should emphasize the importance of transparent valuation information for leveraged loans. The FASB, SEC and PCAOB have increasingly focused on the need for financial statement preparers to understand the inputs to fair value measurements. Similarly, the Agencies may wish to emphasize an institution's responsibility to understand third-party valuation information for leveraged loans. Valuation approaches can vary from basic approaches, such as calculating the mean or average of contributor prices to more sophisticated model-based approaches. We note that Interactive Data provides our clients with a broad range of tools and information sources that offer greater transparency into the available market information and inputs considered in determining valuations. For example, our new Vantage℠ web application enables clients to visualize Interactive Data's evaluated prices within the context of a broad range of relevant market information, including public and proprietary market data inputs used in the evaluated pricing process. Following the commercial introduction of our leveraged loans evaluated pricing service, we plan to add this coverage to Vantage.

    - **Breadth and Consistency of Pricing Sources and Inputs Across Asset Classes:** Related to the above principle, we also believe improved transparency into valuation information and trading activity across a range of asset classes can provide further context for institutions active in the leveraged loan marketplace. In addition, we believe that our coverage across complementary asset classes, such as equities, corporate and high yield debt, and credit default swaps, further strengthens our evaluation methodologies and models. For example, our recently introduced CDS Evaluation Service is based on a methodology that incorporates our widely-used, award-winning bond evaluations. We are extending a similar approach to leveraged loan evaluations.

- **Quality and Support:** In light of recent trends within the secondary leveraged loans market, it is important for banks to understand the quality-control processes employed by third-party valuation providers. This includes efforts to not only source market color from dealers, but to assess its quality in terms of both timeliness and relevancy. In addition to quality controls incorporated as part of the valuation process, it is critical to offer clients robust, responsive support to address their valuation inquiries – what we refer to as the "challenge process" – including direct access to experienced evaluators who examine key inputs.

We also noted with interest the Agencies' guidance that accurate and timely reporting may include "individual and portfolio exposures within and across all business lines and legal vehicles, including the pipeline." For example, Interactive Data's Vantage transparency application provides entity linkage functionality to identify relationships between issues, issuers and parent entities, which can be used to help clients meet their requirements for managing credit, market and operational risk, managing diversification, concentration and investment restrictions.

Underwriting Standards and Ongoing Access to Financial and Credit Data:

We support the Agencies' efforts to establish minimum underwriting standards that include "whether loan agreements provide for distribution of ongoing financial and other relevant credit information to all participants/investors." We note that collecting reference data related to bank loans can be challenging in part because certain information is limited to select participants/investors. Consequently, we encourage the Agencies and financial institutions to make relevant financial or credit information available to third-party information providers, thereby establishing centralized sources for this content and enabling institutions to more easily and efficiently integrate this information into their operational workflows to support pre-trade research, post-trade trade settlement, risk management, valuation and other core functions.

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Summary:

Interactive Data appreciates the opportunity to respond to the Proposed Guidance. We support the Agencies and their efforts to ensure sound risk management practices for leveraged finance activities. As noted above, we believe independent, transparent, and high-quality leveraged loan valuations are critical to both sound reporting and analytics practices, and a robust secondary market. In addition, we believe that it is important for third-party information providers like us to gain access to timely, relevant financial and credit information to better support the reference data requirements of our clients.

We believe that independent, third-party evaluated pricing service providers like Interactive Data will continue to play an important role in helping banks value and monitor their leveraged loans. We would be happy to meet with staff from the Agencies to discuss our comments, services or our approach to leveraged loan evaluated pricing.

Sincerely,

Mark Hepsworth
President
Interactive Data Pricing and Reference Data