

Section 27B of the Securities Act¹

Conflicts of Interest Relating to Certain Securitizations

- (a) **In General.**—An underwriter, placement agent, initial purchaser, or sponsor, or any affiliate or subsidiary of any such entity, of an asset-backed security (as such term is defined in section 78c of this title,² which for the purposes of this section shall include a synthetic asset-backed security), shall not, at any time for a period ending on the date that is one year after the date of the first closing of the sale of the asset-backed security, engage in any transaction that would involve or result in any material conflict of interest with respect to any investor in a transaction arising out of such activity.
- (b) **Rulemaking.**— Not later than 270 days after July 21, 2010, the Commission shall issue rules for the purpose of implementing subsection (a).
- (c) **Exception.**— The prohibitions of subsection (a) shall not apply to—
- (1) risk-mitigating hedging activities in connection with positions or holdings arising out of the underwriting, placement, initial purchase, or sponsorship of an asset-backed security, provided that such activities are designed to reduce the specific risks to the underwriter, placement agent, initial purchaser, or sponsor associated with positions or holdings arising out of such underwriting, placement, initial purchase, or sponsorship; or
 - (2) purchases or sales of asset-backed securities made pursuant to and consistent with—
 - (A) commitments of the underwriter, placement agent, initial purchaser, or sponsor, or any affiliate or subsidiary of any such entity, to provide liquidity for the asset-backed security, or
 - (B) bona fide market-making in the asset backed security.
- (d) **Rule of Construction.**— This subsection shall not otherwise limit the application of section 78o–11 of this title [*Credit Risk Retention*].

¹ Section 27B of the Securities Act was added by Section 621 of the Dodd-Frank Act of 2010.

² Under Section 3(a)(79) of the Securities Exchange Act: (79)Asset-backed security.—The term “asset-backed security” —

(A) means a fixed-income or other security collateralized by any type of self-liquidating financial asset (including a loan, a lease, a mortgage, or a secured or unsecured receivable) that allows the holder of the security to receive payments that depend primarily on cash flow from the asset, including—(i) a collateralized mortgage obligation; (ii) a collateralized debt obligation; (iii) a collateralized bond obligation; (iv) a collateralized debt obligation of asset-backed securities; (v) a collateralized debt obligation of collateralized debt obligations; and (vi) a security that the Commission, by rule, determines to be an asset-backed security for purposes of this section; and

(B) does not include a security issued by a finance subsidiary held by the parent company or a company controlled by the parent company, if none of the securities issued by the finance subsidiary are held by an entity that is not controlled by the parent company.