



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor  
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March 3, 2015

Mr. Robert deV. Frierson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Ave., NW  
Washington, DC 20551

Legislative and Regulatory Activities Division  
Office of the Comptroller of the Currency  
400 7th St., SW  
Suite 3E-218, Mail Stop 9W-11  
Washington, DC 20219

Re: Regulatory Capital Rules, Liquidity Coverage Ratio: Interim Final Revisions to the Definition of Qualifying Master Netting Agreement and Related Definitions; Docket No. R-1507 and RIN 7100 AE 28

Dear Secretary deV. Frierson:

I write to you today to comment on the interim final rule issued by the Board of Governors of the Federal Reserve System (Board) and the Office of the Comptroller of the Currency (OCC) on December 16, 2014. Specifically, I am concerned that the current definition of "Qualifying Master Netting Agreement" in the interim final rule does not recognize stays that are imposed under state insurance laws.

The National Association of Insurance Commissioners (NAIC) has issued a "Guideline for Stay on Termination of Netting Agreements and Qualified Financial Contracts" that encourages states to consider amending state receivership and insolvency laws to adopt a 24 hour stay provision similar to that provided in the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1821(e)(9)-(12). Wisconsin is currently drafting legislation that would adopt a 24-hour stay provision following the appointment of a receiver. Given the NAIC guidance, other states may be considering implementing stays as well.

The definition of "Qualifying Master Netting Agreement" in the interim final rule excludes any agreement that is subject to a stay unless the stay is found in (i) the FDIA, (ii) Title II of the Dodd-Frank Act, (iii) similar laws applicable to government-sponsored enterprises, or (iv) substantially similar laws of foreign jurisdictions. Stays imposed by state law are not properly recognized.

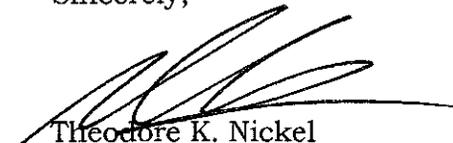
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Without an exemption for stays based in state law, domestic insurers in states that have 24-hour stay provisions in their insurance laws could be penalized by their counterparties in the form of higher collateral requirements and credit charges since those counterparties are required by regulation to post more collateral and endure higher capital charges when dealing with counterparties whose netting agreements are not "qualified."

Therefore, I respectfully request that the Board and the OCC broaden the list of acceptable stays under the definition of "Qualifying Master Netting Agreement" to include stays based in state law.

Thank you in advance of your consideration. If you have any questions, please contact Richard Wicka, Deputy Chief Legal Counsel, at [richard.wicka@wisconsin.gov](mailto:richard.wicka@wisconsin.gov) or (608) 261-6018.

Sincerely,



Theodore K. Nickel  
Commissioner