Meeting Between Staff of the Federal Reserve System and Representatives of Guy Carpenter
June 30, 2026

Participants: Anna Lee Hewko, Cecily Boggs, Lars Arnesen, and Abigail Roberts (Federal Reserve Board); Rene Aiguesvives (Federal Reserve Bank of New York)

Michael Shemi and Jeffrey Kohn (Guy Carpenter)

Summary: Staff of the Federal Reserve System met with representatives from Guy Carpenter regarding the agencies' Basel III notice of proposed rulemaking (Basel III proposal) and the agencies' standardized approach for risk-weighted assets notice of proposed rulemaking (standardized proposal). Specifically, the representatives suggested changes to certain aspects of the proposals, including revising the definition of eligible guarantor.

Attachment

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(Re)insurers as Eligible Guarantors

June 30, 2026



Introduction



1. We are pleased to meet to discuss our response to the federal banking agencies' NPR question to update the definition of *eligible guarantor* in the bank regulatory capital framework
2. The definition of *eligible guarantor* should be updated to explicitly include *investment grade* subsidiaries of larger organizations that have investment grade debt outstanding, allowing diversified multiline (re)insurers to qualify as eligible guarantors
3. This narrow change maintains safeguards the rule has in place related to wrong-way risk, but aligns with the operational reality and economic substance of the credit risk transfer (CRT) market and multiline (re)insurers
4. A revised eligible guarantor definition would remove long-standing ambiguity that has hindered US banks from accessing (re)insurance CRT solutions, which has put US banks at a competitive disadvantage compared to other global regulated financial institutions
5. This update would also meet a variety of policymaker priorities related to boosting the competitiveness of smaller banks that do not have large sales & trading operations, and would find it much less costly to access (re)insurance capital and risk management tools

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Eligible Guarantor Definition

Questions 22 & 51, which are identical, to update the definition and recognition of "eligible guarantor" in the bank regulatory capital framework referenced in the March 19, 2026 NPRs

> **The agencies seek comment on the requirement that the entity has issued and outstanding an unsecured debt security without credit enhancement that is investment grade to meet the definition of an eligible guarantor. What, if any, alternatives to this requirement should the agencies consider to help ensure that eligible guarantors can be expected to perform on guarantees, and what would the pros and cons of those alternatives be?**
>
> – **FDIC, FRB, OCC**

Our Narrow Text Change

The current requirements to qualify as an eligible guarantor below should be updated to include the ***suggested text***:

(2) An entity (other than a special purpose entity):

I. That at the time the guarantee is issued or anytime thereafter, has ***(or, if the entity is investment grade, is controlled by an entity that has)*** issued and outstanding an unsecured debt security without credit enhancement that is investment grade;

II. Whose creditworthiness is not positively correlated with the credit risk of the exposures for which it has provided guarantees; and

III. That is not an insurance company engaged predominately in the business of providing credit protection (such as a monoline bond insurer or re-insurer).

12 C.F.R. § 3.2 (definition of "eligible guarantor").

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An Updated Eligible Guarantor Definition Clarifies Ambiguity

The current definition does not account for the operational reality in which **investment grade (re)insurance subsidiaries** do not typically issue unsecured corporate debt and instead it is the parent that issues unsecured investment grade debt

This proposal retains the existing unsecured investment-grade debt requirement while clarifying that the it may be satisfied through the guarantor itself or an appropriately creditworthy parent organization

- This provides greater legal and supervisory certainty without broadening relief to lower-credit-quality counterparties
- The Bank Policy Institute, the American Bankers Association, and Consumer Bankers Association have called for the complete elimination of the investment grade debt requirement – **our proposal is much narrower**

This update would meet a variety of policymaker priorities:

- Governor Bowman has 1) called for better recognition of credit risk transfers in the bank regulatory capital framework that reflect the substance of such transactions, 2) said there is room to improve transparency of regulatory communication, and 3) called for leveling the playing field for smaller institutions
- The House Financial Services Subcommittee on Housing and Insurance has recognized the benefits of (re)insurance CRT in a number of forums

The lack of clarity around eligible guarantors puts all US banks at a competitive disadvantage as other global regulated financial institutions routinely use (re)insurance CRT solutions; this update removes ambiguity that has effectively blocked U.S. banks from accessing these tools

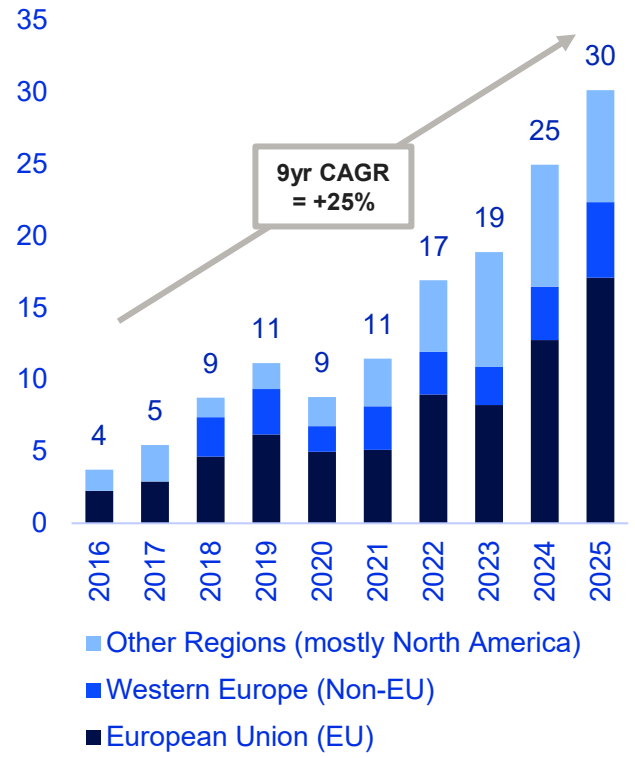
This update is also essential for smaller banks that face higher barriers to entry in CRT capital market execution relative to larger institutions with dedicated capital markets and trading capabilities; these smaller banks would find it far more challenging, relative to their larger bank competitors, to launch capital markets CRT

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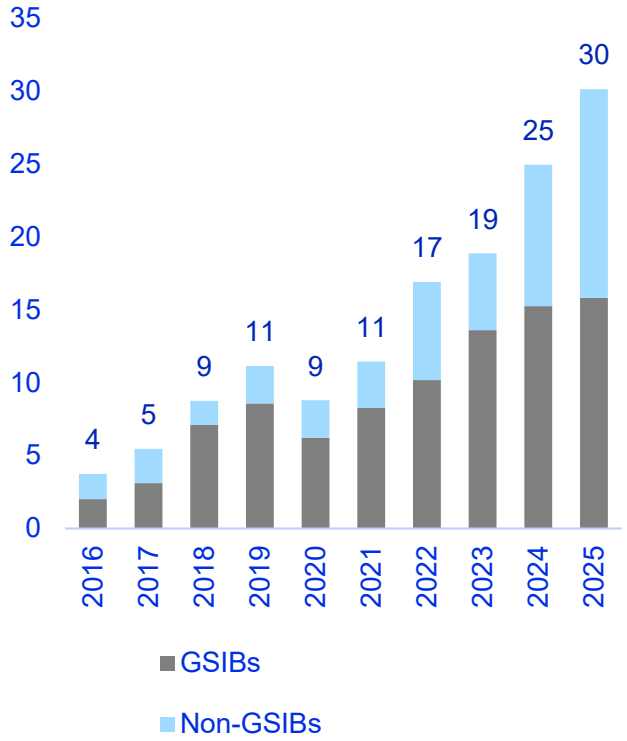
Bank CRT/SRT Market Continues to Grow & Evolve Quickly

Global Bank CRT/SRT market reached ~$35bn in risk transferred in 2025 (Figures below in EUR)

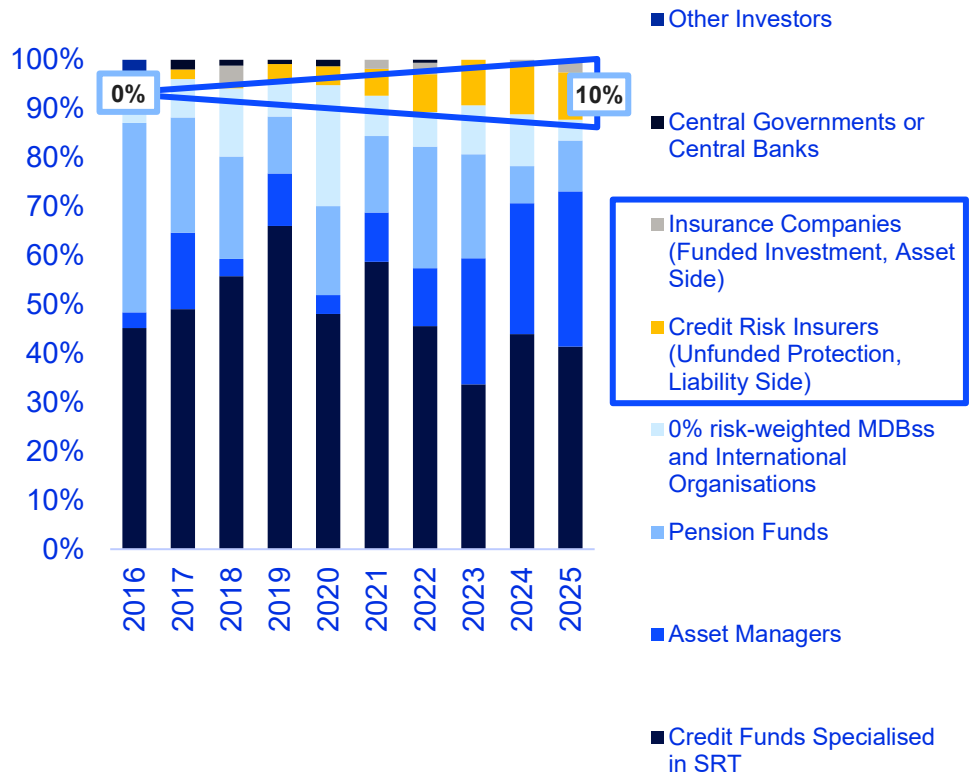
Protected Tranche Size By Region[1]



Protected Tranche Size By Issuer[1]



Protected Tranche Participant Type[1]



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[1]Does not include placed senior tranche volume
SRT: Significant Risk Transfer, term used outside of US to describe bank CRT

Source: IACPM

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Mortgage CRT in the US

The Government Sponsored Enterprises (Fannie Mae & Freddie Mac, the GSEs) have launched highly successful and programmatic mortgage credit risk transfer programs

- Overwhelming regulatory support from the Federal Housing Finance Agency (FHFA)
- Reference a variety of single family and multifamily mortgage products
- CRT integrated into the GSEs enterprise capital and risk management frameworks
- Risk transferred on syndicated basis to both capital markets and (re)insurance markets

13yr
Programmatic Issuance

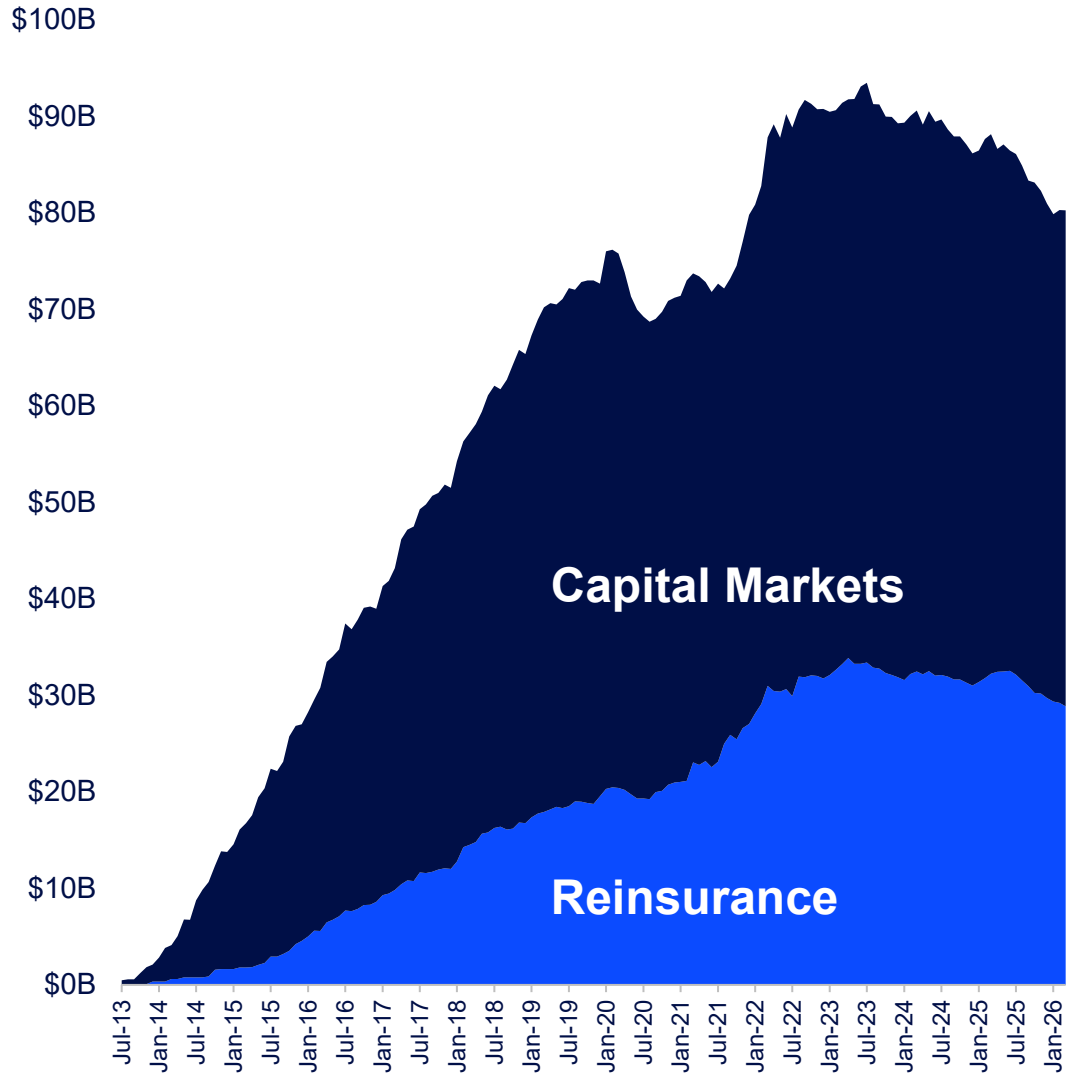
190
Reinsurance CRT transactions

$69bn
Risk transferred to reinsurers

Fannie Mae

Freddie Mac

GSE Risk Transferred Outstanding



Investment Grade (Re)insurers Provide Resilient, Well-Capitalized Risk Transfer Capacity

Consistent with Basel III Endgame Objectives

- Promotes prudent risk transfer
- Reduces concentration risk and preserves financial stability
- Diversifies sources of loss-absorbing capital from outside of the banking system

Strong Capitalization & Diversified Business Model

- Regulatory capital requirements are designed to absorb severe stress events – in practice, significant excess capital above regulatory requirements
- Financial strength independently evaluated by multiple rating agencies
- Conservative balance sheets supported by long-duration liabilities

Robust Regulatory Oversight

- Comprehensive prudential supervision and risk-based capital monitoring designed to ensure timely payment of claims
- Regular stress testing and Own Risk and Solvency Assessment (ORSA)
- Investment restrictions and reserving oversight

Proven Performance Across Economic and Market Cycles

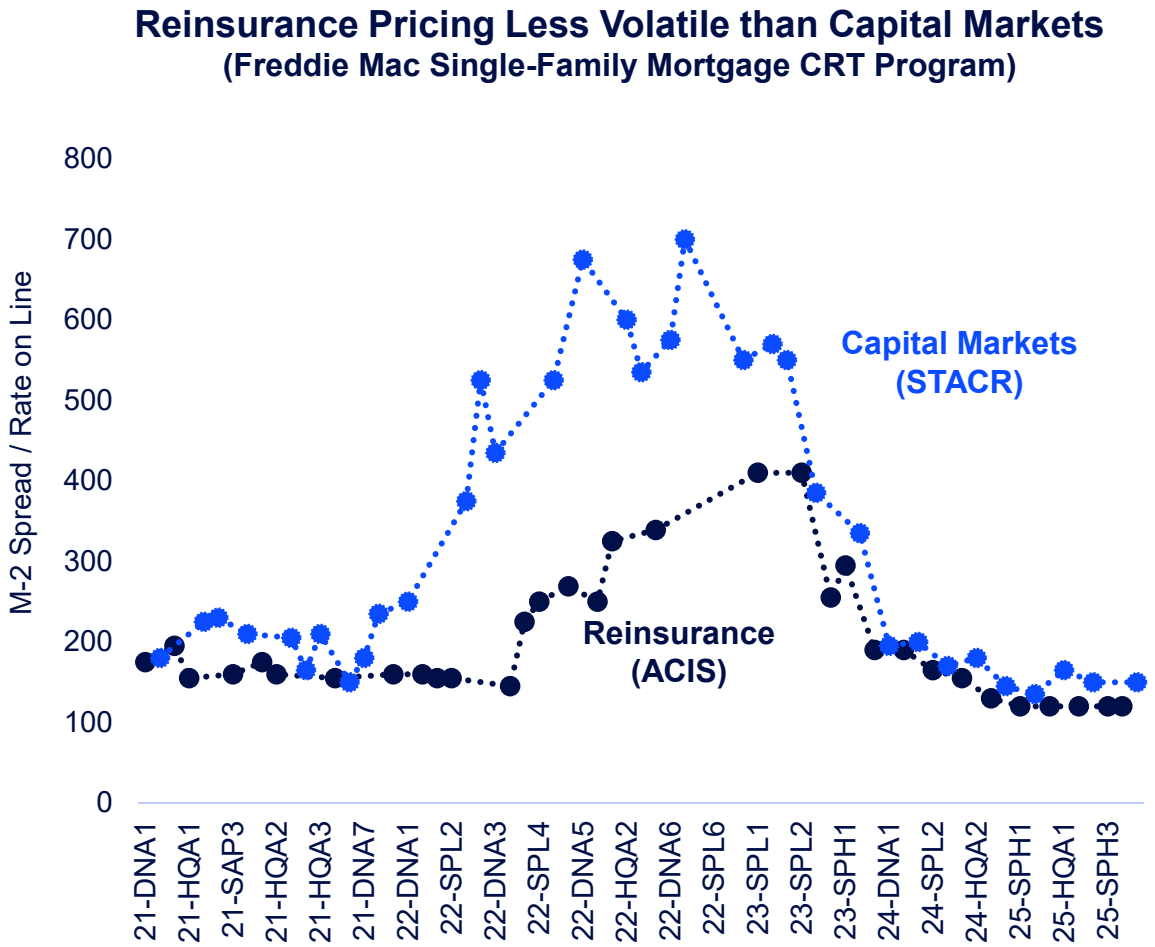
- Global Financial Crisis
- COVID and major catastrophe years
- Banking stress in 2023

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Reinsurance CRT Execution Offers Several Benefits, Especially for Smaller Issuances

Advantages of reinsurance CRT execution relative to capital markets:

- De minimis issuance costs (no underwriting, legal, or rating agency fees) makes reinsurance highly attractive for smaller issuances, where fixed issuance costs would be uneconomical given deal size
- Significantly less pricing volatility – reinsurance rates did not dislocate in 2020 and 2022 in contrast to structured capital markets
- CRT covering forward flow business is the norm for reinsurance, eliminating warehouse risk



Source: Guy Carpenter and Freddie Mac

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