



Press Release

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INDUSTRY COALITION OBJECTS TO FSB PROPOSAL ON EARLY TERMINATION RIGHTS

LETTER SIGNED BY SIX LEADING INDUSTRY TRADE ASSOCIATIONS

WASHINGTON, D.C. – A coalition of six associations today sent a letter to the Financial Stability Board regarding potential suspension of counterparties' early termination rights during U.S. bankruptcy proceedings. The letter was sent by the Managed Funds Association, Alternative Investment Management Association, American Council of Life Insurers, Association of Institutional INVESTORS, Commodity Markets Council, and Customer Commodity Coalition.

In the letter, the associations express a number of concerns – both in policy and process – with the indirect imposition of these suspensions on customers and investors through prudential regulations forthcoming from members of the Financial Stability Board, and a voluntary protocol drafted by the International Swaps and Derivatives Association (ISDA) at the Financial Stability Board's request.

Below are several of the main concerns discussed in the letter:

- While supporting efforts to facilitate orderly liquidations and improve financial stability, the associations are troubled by the Financial Stability Board's proposal to finalize provisions in the ISDA protocol and have its members adopt prudential regulations that effectively amend our members' protections under the U.S. Bankruptcy Code.
- Using prudential regulation to amend the application of the U.S. Bankruptcy Code will harm, rather than protect, the financial system by compelling customers and investors to waive important rights that protect them during U.S. bankruptcy proceedings.



- From a process standpoint, the Financial Stability Board reversed the normal rulemaking process by consulting a small group of market participants and finalizing the ISDA Protocol prior to issuance of proposed prudential regulations.
- The associations believe any fundamental changes to U.S. bankruptcy laws should be fully vetted, transparent, and done through the legislative process by petitioning Congress to enact appropriate amendments to the U.S. Bankruptcy Code.

“The Associations believe that it is contrary to public policy, in particular the goals of reducing systemic risk and protecting the financial system, to alter the termination rights provided under the U.S. Bankruptcy Code,” the association letter read. “The Associations urge the FSB to reconsider imposing the contemplated suspensions of early termination rights during insolvency proceedings under the U.S. Bankruptcy Code.”

The full text of the letter is [available here](#).

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