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Mr. David A. Stawick
Secretary, Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: RIN 3038 – AD28 Protection of Collateral of Counterparties to Uncleared Swaps

Dear Mr. Stawick:

MetLife welcomes the opportunity to comment on the proposed regulations regarding the protection of Collateral of Counterparties to Uncleared Swaps issued by the Commodity Futures Trading Commission (“the Commission”) (the “Proposed Rules”), which constitute a segment of the framework of compliance rules required to be established for Swap Dealers and Major Swap Participants registered under Section 724 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”).

MetLife Inc. is the holding company of the MetLife family of insurance companies. The MetLife organization is a leading global provider of insurance, annuities and employee benefit programs, serving 90 million customers in over 60 countries. MetLife holds leading market positions in the United States (where it is the largest life insurer based on insurance in force), Japan, Latin America, Asia Pacific, Europe and the Middle East. MetLife, Inc. is a public company, registered under the Securities Act of 1934 and has securities listed on the New York Stock Exchange.

MetLife is an end user of financial derivatives and responsibly uses these instruments to hedge the risks associated with its investment portfolio and insurance product liabilities. MetLife currently manages over USD 3 Billion of collateral in connection with its derivatives activities. MetLife is providing this comment letter from the perspective as both a debtor and secured party to a portfolio of derivatives transactions.

Segregation of Initial Margin for Uncleared Trades. MetLife agrees with the Proposed Rule that provides parties who are required to post Initial Margin with a statutory right to insist that such margin be held in a segregated account with an independent custodian. MetLife agrees that a Tri-Party custodial arrangement between each of the counterparty, the custodian and the Major Swap Participant (“MSDP”) / Swap Dealer (“SD”) provides the greatest degree of protection and certainty regarding the disposition of collateral in the event of a default or bankruptcy by a party to a derivatives transaction. The employment of a disinterested third party custodian provides the best means for timely distribution of collateral around the remedies provided to each party in the master agreement governing the derivatives transactions (the “Master Agreement”). Any requests instructing the custodian to surrender the collateral should contain a signed statement by counsel

(either internal or external) for the requesting party indicating that such request is, in the reasonable legal opinion of counsel, authorized under the Master Agreement and the custodial agreement. Such request should also be executed by an officer of the party making the request. The signed statement by counsel for the requesting party would work to ensure that such requests are made upon a reasonable legal basis, thus avoiding the necessity for requests to be made under penalty of perjury.

Independent Custodian and Separate Account. MetLife believes that a custodial arrangement with an affiliate of the SD or MSP would satisfy the requirements for the use of an Independent Custodian, provided that the custodial arrangement was established with the counterparty on commercially reasonable terms, that the affiliate custodian providing such services does so in the ordinary course of its business and that such custodian maintains a minimum asset value (at least USD 2 Billion) under custodial management. The commercially reasonable standard should be evaluated in terms of the legal agreement governing the custodial arrangement and the fees charged for the custodial services. The benchmark for such reasonableness standard should be viewed within the context of similarly situated industry arrangements, such as the terms and conditions for Tri-Party Agreements in connection with Repurchase Transactions and the custodial fees associated with the same.

MetLife recognizes that the time and costs associated with establishing and maintaining custodial accounts can be substantial. Allowing each counterparty that is required to post Initial Margin with an SD or MSP to select its own custodian would not be cost effective or operationally efficient for the SD or MSP. Accordingly, MetLife takes the position that the party obtaining the security interest in the Initial Margin should be allowed to select the custodian, provided however, that such custodial arrangement comports with the same commercially reasonable terms as set forth in the preceding paragraph.

MetLife believes that both parties derive a benefit from the Tri-Party custodial arrangement and accordingly, each of the counterparty and the SD / MSP should share equally in the associated custodial fees. The parties to the Tri-Party custodial arrangement can negotiate the manner and timing of such payment. However, an SD or MSP should not be permitted to imbed the cost of such Tri-Party custodial fees into counterparty's derivatives transactions costs.

Required Notifications and Confirmations. MetLife concurs with the premise that the ability to segregate Initial Margin is an important right and each SD and MSP should provide affirmative notification of such right to all trading counterparties. MetLife agrees with the Commission that counterparty notification of this right upon the confirmation of each transaction is redundant and unnecessary. MetLife further believes that the notice provisions of the Master Agreement under which derivatives are traded provides the most direct and effective method to tender notifications to a counterparty under this Proposed Rule. MetLife suggests that, within a commercially reasonable time from enactment of this Proposed Rule, each SD and MSP must provide an amendment to its existing Master Agreements with each counterparty. Such amendment would require the counterparty to make an election either requiring or waiving the segregation of its Initial Margin. Execution of the amendment, either affirmatively accepting segregation or waiving the right to the same, would provide the required confirmation as mandated under the Proposed

Rule. Once a counterparty makes such election to segregate Initial Margin, it may only be modified by a written amendment to the related Master Agreement. Subsequent annual disclosures by an SD or MSP to counterparties regarding their right to segregate Initial Margin would be required only to the extent counterparty has not previously agreed to the segregation of Initial Margin.

Investment of Initial Margin. MetLife contends that limiting the investment of (cash) collateral posted as Initial Margin to the same requirements of as the investment of customer funds associated with exchange traded futures is overly restrictive and outside the scope of normal market practice. MetLife believes that the counterparty should be able to negotiate the terms for investment of Initial Margin consisting of cash within its own established investment guidelines. Additionally, the final regulation should indicate that the parties to the Master Agreement may mutually agree upon the types of non-cash collateral that may be pledged as Initial Margin, consistent with current market practice for the trading of OTC derivatives.

The Definition of “Initial Margin”. MetLife believes that, for the purposes of this Proposed Rule, the definition of Initial Margin is sufficient in order to be distinguished from Variation Margin. However, any future use or expanded definition must include specific determinants for calculating Initial Margin including; (i) the credit worthiness of the party posting the Independent Amount, (ii) the risk of the underlying exposure and (iii) the volatility of derivatives transactions. Any future definition for calculating Initial Margin must not be arbitrary or overbroad in light of the risks that it is intended to mitigate. It is imperative that any future or expanded definition of Initial Margin is narrowly tailored to represent the risk that the party posting such Initial Margin would fail to make future Variation Margin payments to the secured party.

MetLife is pleased to be able to continue to participate through the comment process in the framing of this critical new regulatory framework. Please feel free to contact me at my email address above if you have any questions regarding this comment letter.

Respectfully,

Kevin M. Budd