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February 28, 2011

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

Re: RIN 3038 – AC96 - 17 CFR Part 23 - Confirmation, Portfolio Reconciliation, and Portfolio Compression Requirements for Swap Dealers and Major Swap Participants

Dear Mr. Stawick:

MetLife welcomes the opportunity to comment on the proposed regulations regarding Confirmation, Portfolio Reconciliation, and Portfolio Compression Requirements for Swap Dealers and Major Swap Participants (the "Proposed Rules"), issued by the Commodity Futures Trading Commission (the "Commission") in accordance with 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 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 providing this comment letter from the perspective of an active end-user of financial derivatives which relies on these instruments to hedge the risk associated with its investment portfolio and insurance product liabilities. MetLife's continued ability to manage financial risks through the use of derivative hedges is an essential component of our risk management framework that allows us to offer a broad range of insurance products to our customers. To the extent MetLife's costs of hedging these insurance products increases, a portion of such costs are likely to be passed on to our customers in the form of higher premiums and, in some instances, may force us to discontinue offering certain insurance products.

MetLife appreciates the substantial effort and consideration that the staff of the Commission has dedicated to developing the Proposed Rules. MetLife recognizes the public policy rational behind the Proposed Rules and supports the goals of legal certainty associated with a timely acknowledgement and confirmation process, the mutual agreement of the parties in the ongoing valuation and maintenance of outstanding swap positions, and the mitigation of risk through the netting of offsetting swap positions. However, we are concerned that many of the requirements set

forth in the Proposed Rules do not comport with established market practices for the execution and maintenance of OTC derivatives transactions and may be inconsistent with other proposed rules promulgated by the Commission. Specifically we believe that the proposed acknowledgement and confirmation procedures create redundancies in the rules promulgated for the centralized clearing and execution of swap transactions through Derivatives Clearing Organizations (“DCO”) and Swap Execution Facilities (“SEF”), respectively. We believe that such redundancies will ultimately increase the execution costs for swap transactions. Additionally, MetLife believes that the proposed portfolio reconciliation process should be limited in its scope to economic terms that affect transaction valuations. Further, we feel that the proposed reconciliation rules fail to provide any compliance enforcement when reconciliation disputes are not addressed in a timely manner or in good faith by one of the parties. Finally, MetLife believes that any mandatory portfolio compression requiring novation netting of swap positions will increase the portfolio risk of many derivatives end users, in particular insurance companies, by reducing the hedge effectiveness of certain swap transactions. Accordingly, MetLife respectfully recommends modifications to the Proposed Rules as set forth below:

Proposed Confirmation Rule - Section 23.501.

Proposed Rule 23.501 (the “Confirmation Rule”) would require that any swap transaction, executed by a Swap Dealer (“SD”) or a Major Swap Participant (“MSD”), must be; (i) memorialized by a written or electronic record of all of the terms of such swap transaction, signed and sent by one party to its counterparty in the transaction (an “Acknowledgement”) and (ii) verified and signed by such counterparty (a “Confirmation”). The Confirmation Rule would apply to all swap transactions, whether or not such swap transaction is required to be executed through a Swap Execution Facility (“SEF”), cleared through a Derivatives Clearing Organization (“DCO”) or entered into on a bilateral basis by two market participants. The Proposed Confirmation Rule further requires that any swap transaction executed by or among SD’s or MSP’s must be Acknowledged and Confirmed on the same day as such swap transaction is executed. To the extent a swap transaction is executed or processed “electronically” the Acknowledgement / Confirmation would be required within 15 minutes of the execution. In the event a transaction is processed but not executed “electronically”, then the Acknowledgement / Confirmation would be required within 30 minutes of execution. If such swap transaction is neither processed nor executed electronically, then the Acknowledgement would be required within the same calendar day as the swap execution.

MetLife believes that the Confirmation Rule need only be applied to swap transactions which are not executed through a SEF or cleared through a DCO. Application of the Confirmation Rule to swap transactions executed through a SEF and / or cleared through a DCO create unnecessary operational redundancies. As the Commission correctly indicates, any transaction executed through a SEF will have its terms and conditions verified by the SEF in the bidding process, and the SEF will be responsible for executing such swap transaction by matching such terms and conditions between prospective parties to the Swap. Accordingly, it should be the responsibility of the SEF to provide the formal Acknowledgement and Confirmation for any swap which it has arranged and executed. Similarly, any swap transaction which is executed bilaterally and cleared through a DCO will, as a matter of course, have its terms and conditions matched and verified by the DCO prior to being accepted for clearing. Again, it should be the responsibility of the DCO to provide an

Acknowledgement and Confirmation of all swap transactions for which it clears. In mandating that an SD, MSP or a financial institution end user individually provide an Acknowledgement and Confirmation of a swap transaction, the terms of which have already been verified by a SEF or will be verified by a DCO, creates an undo operational and recordkeeping burden on those parties which will ultimately increase the implicit and explicit cost of executing swap transactions. Moreover, operational risk is also likely to increase to the extent that multiple parties are generating Acknowledgments and Confirmations for the same swap transactions. For the forgoing reasons MetLife strongly urges the Commission to limit the obligations of SD's and MSP's under the Confirmation Rule to swap transactions not executed through a SEF or cleared through a DCO.

MetLife agrees that swap transactions executed bilaterally by SD's and MSP's should require a prompt Acknowledgement and Confirmation by the parties to the swap transaction. MetLife suggests, however, that the final Confirmation Rule specifically indicate which party to the transaction is responsible for delivery of such Acknowledgement and which party is responsible for the return Confirmation. The Confirmation Rule should be consistent with other proposed rules under the Dodd-Frank Act which allocates responsibility for generating transactional information to SD's in respect of transactions with MSP's and end users. For example, in a transaction executed between an SD and a MSP, the SD would be required to deliver the Acknowledgment and the MSP to deliver the Confirmation. Additionally, MetLife encourages the Commission to further define the terms "electronically executed" and "electronically processed" in order to clarify the confirmation timing requirements under the Confirmation Rule. The Commission's expanded definition of these terms would be a significant factor in determining whether or not an "electronically traded" or "electronically processed" swap transaction would provide sufficient trade related information to Acknowledge and Confirm such transactions in accordance with the Confirmation Rule. Without a precise definition of the terms "electronically processed" and "electronically executed" it is impossible at this juncture to determine whether such time frames are realistic within current market capabilities.

Finally, MetLife respectfully requests that the Commission consider extending the timeframe for the delivery and return of Acknowledgements and Confirmations of bilaterally executed transactions which are often highly structured and customized ("Bespoke Transactions"). As the commission is aware, Bespoke Transactions often contain highly negotiated economic and legal terms that are often negotiated up until the point immediately preceding their execution. Based upon the complexity of such transactions, it would be unreasonable to generate an Acknowledgement and Confirmation within the time parameters set forth in the Confirmation Rule. Accordingly, MetLife suggests that the delivery period for an Acknowledgement in respect of Bespoke Transactions be extended to a minimum of three (3) business days subsequent to its execution, and that the counterparty be provided at least two (2) business day following the receipt of an Acknowledgement to review and return a Confirmation. These time frames are consistent with current market practices for the confirmation of OTC derivatives.

Portfolio Reconciliation Rule – Section 23.502.

MetLife recognizes the Commission's overall objective under the portfolio reconciliation rule 23.502 (the "Portfolio Reconciliation Rule") which would work to ensure that non DCO cleared swap transactions are valued appropriately, that the risk attendant to such transactions is accurately identified, and any collateral required to be posted in connection with these transactions is sufficient to mitigate such risk. MetLife proposes that any final Portfolio Reconciliation Rule be limited in scope to a reconciliation of the variable economic terms of the affected swap transactions. As a general matter, other than such variable economic terms, there are few terms and conditions of a swap transaction that will vary during the tenor of a swap transaction. A full review of each swap transaction in a portfolio would create an unnecessary redundancy in the review of static provisions that would have already been confirmed during the Acknowledgement and Confirmation process set forth in the Commission's proposed Confirmation Rule. The additional review of otherwise static terms and conditions creates an undue burden, and concomitant expense, for each of the parties required to comport with the Reconciliation Rule.

Further, MetLife agrees with the commission that the resolution of valuation discrepancies in respect of non-DCO cleared swap transactions should be limited to such discrepancies that exceed 10% of the calculated valuation for a particular swap transaction. However, MetLife proposes that the Commission extend the dispute resolution period from one (1) business day, to at least three (3) business days in respect of Bespoke Transactions. The complexity of Bespoke Transactions, the availability of applicable pricing sources and the manner in which such transactions are valued necessitate the flexibility of longer dispute resolution periods.

Finally, MetLife suggests that the Commission consider adding a reporting component to the Reconciliation Rule that would require SD's and MSP's to submit a report of all identified but unresolved valuation discrepancies that have been outstanding for at least ninety (90) calendar days as of the end of a calendar month. We believe that some form of reporting and / or enforcement mechanism would create a more robust dispute resolution process and ensure that the parties involved exercised good faith in their efforts to resolve such dispute.

Portfolio Compression Rule - Section 23.503

MetLife strongly opposes the proposed portfolio compression rule (the "Portfolio Compression Rule") that would mandate novation netting of offsetting swap positions with the aim of reducing the outstanding notional amount of swap transactions between the parties to such swap transactions. Although the Portfolio Compression Rule would provide a safe harbor exclusion for those transactions that, if subject to compression, would "likely increase significantly the risk exposure of a SD or MSP," the exception is not sufficiently broad to ensure that a party's essential hedging transactions will not be eliminated during a portfolio compression exercise. In the alternative, MSP's and end-users should be allowed to opt-out of portfolio compression for transactions that constitute "bona fide" hedges, in the same manner as provided for in futures

agreements and OTC derivatives master agreements. MetLife, as well as other insurers, use derivatives to hedge risk not only on a macro portfolio level, but also on a micro level which would include separate account and line of business assets and liabilities. With hedging of assets and liabilities occurring on both a macro and micro level, it is likely that certain swap transactions occurring within an insurer's derivatives portfolio may appear as offsetting transactions on a macro level, but on a micro level, serve to hedge specific assets or liabilities. The type of compression exercises contemplated by the Portfolio Compression Rule would potentially disrupt the hedge effectiveness of individual swap transactions; which in turn could materially increase the portfolio risk of many derivatives end users, in particular insurance companies. Additionally, such compression of hedging transactions may result in a conflict with state insurance laws governing the allocation of hedging transactions to specific assets and liabilities. MetLife concurs with other commentators that oppose this rule and encourage the Commission to exclude insurance companies from the requirements of mandatory portfolio compression.

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