



**November 1, 2012**

*Submitted Electronically*

Ms. Sauntia S. Warfield  
U.S. Commodity Futures Trading  
Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581

Ms. Elizabeth M. Murphy  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

**Re: Stable Value Contract Study (Release No. 34-67927) (File Number S7-32-11)**

Dear Ms. Warfield and Ms. Murphy:

On behalf of Galliard Capital Management, Inc., one of the nation's largest stable value investment managers providing stable value solutions to more than 9000 retirement plans nationwide, I am writing to express Galliard's support of the comments filed by the Stable Value Investment Association ("SVIA") in the "Acceptance of Public Submissions Regarding the Study of Stable Value Contracts" ("Notice of Reopening").<sup>1</sup>

Galliard does not believe that stable value contracts are swaps or that regulation of these contracts as such would have any significant benefit to the stability or integrity of the financial system. Galliard believes that the logic used by the Commissions in the Final Rule to distinguish and define certain insurance products and commercial agreements as exempt from the swap definition and subsequent regulations, also informs and reinforces the conclusion that the stable value contract is not a swap.

The stable value contract is so fundamentally distinct and different from a swap that as discussed in the November 1<sup>st</sup> 2012 SVIA letter, it cannot be regulated as a swap. Further, as stated in the SVIA's September 26, 2011 submission, there is and has always been strong and dynamic regulatory oversight of stable value contracts by State and Federal regulators such as state insurance departments, the Federal Reserve, the Office of the Comptroller of Currency, the Federal Department of Labor's Employee Benefits Security and Administration as well as equivalent state regulators who exercise oversight over state and local defined contribution plans. There is no regulatory deficiency with stable value contracts and arguably no corresponding benefits to the financial system or individual plan participants to be gained by regulating stable value contracts as swaps.

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<sup>1</sup> See 77 Fed. Reg. 60113 (Oct. 2, 2012).

The more than 38 years of regulatory oversight provided by the State and Federal regulators discussed above illustrates not only the strength and the success of the existing regulatory framework but also serves as a testament to the strength and history of stable value contracts as a financial product. Stable value contracts are time-tested and proven financial products, which further distinguishes them from the novel or emerging financial instruments that the Commissions have identified as concerning.

Further, determining stable value contracts are swaps and/or regulating these contracts as swaps will cause uncertainty and jeopardize plan participants' and retirees' retirement investments or income. Treating stable value contracts as swaps and/or regulating stable value as a swap, would make this popular conservative investment option that is available only in defined contribution plans unavailable to an investing public that is rapidly facing retirement, such as the baby boomers, as well as all defined contribution plan participants who are looking to either control or minimize their risk in an increasingly volatile financial market. Without stable value, retirees and other defined contribution plan participants would have no alternative but to switch to investments that either carry greater risk or offer lower returns. Congress did not intend to cause such an outcome for the 25 million plan participants and retirees who invest in stable value funds.

Galliard hopes this discussion provides the Commissions with a better understanding of stable value contracts and why the Association believes that the existing regulatory framework that governs the \$645 billion in assets<sup>2</sup> invested by 25 million plan participants in stable value funds is sufficient and achieves the goals of the Dodd-Frank Act with respect to "swaps".

Thank you for your consideration of our views.

Sincerely,

A handwritten signature in black ink that reads "John R. Caswell". The signature is written in a cursive, flowing style.

John Caswell, CFA  
Managing Partner  
Galliard Capital Management, Inc.  
612.667.9524

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<sup>2</sup> SVIA 16<sup>th</sup> Annual Stable Value Funds Investment and Policy Survey covering stable value assets as of December 31, 2011.