

DERIVATIVE INSTRUMENTS MODEL REGULATION

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Section 1. Authority

This regulation is adopted and promulgated by the Commissioner of Insurance pursuant to [insert citation to state law equivalent to Section 8 of the Investments of Insurers Model Act] with [insert citation to state law equivalent to S

Section 3. Definitions

For the purposes of this regulation, the following definitions

- A. "Business entity" includes a sole proprietorship, partnership, joint stock company, or other similar form of business organization.
- B. "Counterparty exposure amount" means:
 - (1) The net amount of credit risk attributable to the business entity other than through a derivative instrument cleared through a qualified clearing organization. The amount of credit risk equals:
 - (a) The market value of the derivative instrument at the liquidation of the derivative instrument by the insurance company; or
 - (b) Zero if the liquidation of the derivative instrument results in a cash payment to the insurance company.
 - (2) If over-the-counter derivative instrument, the net amount of credit risk attributable to the business entity other than through a derivative instrument agreement which provides for netting, and the domicile of the counterparty is in the domiciliary jurisdiction of the insurance company, or if not within the United States, within

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Procedures of the Securities Valuation Office

- 4) A designated offshore securities market as defined in Securities Exchange Commission Regulation S, 17 C.F.R. Part 230, as amended; or
 - (5) A qualified foreign exchange.
- F. “Qualified foreign exchange” means a foreign exchange, board of trade or contract market

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