

## PROJECT HISTORY 2008

### MODEL ACTION CUSTODIAL AGREEMENTS AND THE USE OF CLEARING CORPORATIONS (#295)

### MODEL REGULATION ON CUSTODIAL AGREEMENTS AND THE USE OF CLEARING CORPORATIONS (#298)

#### 1. Project Description

The FHLB Custodial Subgroup of the Examination Oversight (E) Task Force was created at the 2007 Summer National Meeting of the NAIC. This Subgroup was created to work on a charge given to the Task Force by the Financial Condition (E) Committee. The Subgroup was to consider the Federal Home Loan Banks' (FHLBanks) request to be included in the Model Regulation on Custodial Agreements and the Use of Clearing Corporations and provide a recommendation to the Financial Condition (E) Committee. This charge was prompted by a comment letter received from the FHLBanks dated February 16, 2007.

#### 2. Group Responsible for Drafting the Regulation





PROJECT HISTORY 2004

MODEL ACT ON CUSTODIAL AGREEMENTS AND THE USE OF CLEARING CORPORATIONS (2005) MODEL  
REGULATION ON CUSTODIAL AGREEMENTS AND THE USE OF  
CLEARING CORPORATIONS (2008)

1. Description of the Project, Issues Addressed, etc.

The Model Act to Permit the Use of Clearing Corporations and the Federal Book Entry System by Insurance Companies (the Model Act) and the Model Regulation on the Use of Clearing Corporations and Federal Book Entry by Insurance Companies (the Model Regulation) have

6. A Discussion of the Significant Issues (items of some controversy raised during the due process and the group's response)

One significant issue was discussed by the working group and interested parties. One of the comment letters received discussed concern that the proposed revisions did not require broker/dealers to provide insurance coverage in excess of that provided by the Securities Investor Protection Corporation (SIPC). After some discussion, the working group voted to require that broker/dealers acting as custodians for insurance company assets hold insurance coverage in excess to that provided by SIPC. Amount equal to or greater than the largest, single insurance company customer deposit.

7. Any Other Important Information (e.g., amending an accreditation standard)

On January 1, 2003, the Financial Regulation Standards and Accreditation (F) Committee exposed for a two period the Model Act and Model Regulation as possible accreditation standards. If the revision to the Model Act and Model Regulation are adopted by the NAIC membership, the Financial Regulation Standards and Accreditation (F) Committee will review the revised Model Act and Model Regulation for further consideration. In addition, the working group will send a referral to the Financial Examiners Handbook Technical Group to consider applicable revisions to the NAIC Financial Condition Examiners Handbook