**Views of S. Roy Woodall, Jr. the Council's Independent Member Having Insurance Expertise**

As the Financial Stability Oversight Council's (the Council) Independent Member having insurance expertise, I dissent from the Council's Final Determination that MetLife, Inc., (MetLife) could pose a threat the financial stability of the United States if it were to suddenly and inexplicably be in material financial distress and face imminent failure. I disagree with what in the vernacular is described as the "designation" of MetLife as a "systemically important financial institution" or "SIFI."

The Resolution presented for the vote today by the Council points only to the First Determination Standard as the sole justification for the Council's determination – *that material financial distress at the nonbank financial company could pose a threat to the financial stability of the United States*. The Council's analysis using the First Determination Standard has not persuaded me, and I believe that MetLife has presented a comprehensive response to the flaws in the Council's basis for proposed determination.

I believe that there could be some findings within the Council's Notice of Final Determination and Statement of the Basis for the Financial Stability Oversight Council's Final Determination Regarding MetLife, Inc., (Notice of Final Determination) that would be useful in considering the designation of MetLife under the Second Determination Standard – *that the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities of the nonbank financial company could pose a threat to the financial stability of the United States*, regardless of whether the company were experiencing material financial distress.

The Second Determination Standard largely mirrors one of the ten statutory considerations the Council evaluated under the First Determination Standard.[1] However, consistent with past designations, the Council has again elected not to make a determination with respect to the company's activities under the Second Determination Standard. By not considering the Second Determination Standard, the Council has continued its practice of not informing a company of those aspects of its business that were the primary factors associated with a designation.

I do share concerns about some of MetLife's activities, particularly in the non-insurance and capital markets activities spheres, and in the resulting exposures identified and described in the Council's Notice of Final Determination in the Company Overview and Exposure Transmission Channel sections. These activities might conceivably pose a threat to the U.S. financial stability under certain circumstances. It is these types of activities that should be fully evaluated under the Second Determination Standard, as opposed to the flawed Council analysis under the First Determination Standard.

[1] Dodd-Frank §113(a)(2), 12 U.S.C. §5323 (a)(2).

I do not, however, agree with the analysis under the Asset Liquidation Transmission Channel of the Notice of Final Determination, which is one of the principal bases for the finding under the First Determination Standard. I do not believe that the analysis' conclusions are supported by substantial evidence in the record, or by logical inferences from the record. The analysis relies on implausible, contrived scenarios as well as failures to appreciate fundamental aspects of insurance and annuity products, and, importantly, State insurance regulation and the framework of the McCarran-Ferguson Act.[2] It presumes that all current operations and activities are static without consideration of any dynamics or responses occurring before a presumed insolvency. The analysis discusses in detail, and is dismissive of, the U.S. State insurance regulatory framework, the panoply of State regulatory authorities, and the willingness of State regulators to act, thereby overstating shortcomings and uncertainties that are inherent in all regulatory frameworks, State or Federal.

In addition, I do not believe that the Critical Function or Service Transmission Channel analysis warrants acknowledgement as a fallback basis for designation, as MetLife does not appear to provide any critical financial service or product for which substitutes are unavailable.

The Council's expressed concerns in the Notice of Final Determination as to existing regulatory scrutiny, the State guaranty associations, and the potential complexities associated with the resolution of a large insurance company, seem to me to be unbalanced and lead to distorted conclusions regarding the Asset Liquidation Transmission Channel. This is also the case, in my opinion, as to those portions of the analysis that concern the existing framework for the resolution of insurance companies. If all of these system-wide concerns of the Council are legitimate, it should be using its other available tools to address them.

While the Council's approach to designation triggers supervisory jurisdiction by the Board of Governors of the Federal Reserve System (Board of Governors or Board), it does little else to promote real financial system reform. In my considered view, the Council should be more transparent about which of MetLife's activities, together or separately, pose the greatest risk to U.S. financial stability in order to provide constructive guidance for the primary financial regulatory authorities, the Board of Governors, international supervisors, other insurance market participants and, of course, MetLife itself, to address any such threats posed by the company. The Notice of Final Determination that went to MetLife, while it is hundreds of pages long, is not, in my opinion, a roadmap showing any possible exit ramp.

It is important to identify particular activities in order to encourage appropriate and further action that could lessen any company-specific threat to U.S. financial stability. Paraphrasing what one insurance thought leader once told me: "We should not tolerate any insurance company posing a threat to our financial system – pinpoint what makes them systemically risky and let's fix

[2] 15 U.S.C. §§1011-1015.

them."[3] I believe that not pinpointing specific activities that contribute to the company's systemic risk profile is a mistake. Importantly, rather than confronting the greater burden tied to the Second Determination Standard, it is easier to simply presume a massive and total insolvency first, and then speculate about the resulting effects on activities, than it is to initially analyze and consider those activities.

Speaking for myself, I believe that activities conducted by financial companies that are worth spotlighting include the extent and type of use of wholesale funding markets and other available lending facilities to fund operations, together with sizable securities lending programs, and high operating leverage, all of which could possibly pose risk to the broader markets and the U.S. financial system, particularly if such funding and credit markets access were to retract in a period of overall stress in the financial system and a weak macroeconomic environment. Potential risks to financial stability might stem not only from this vulnerability to funding market disruption, but also from the mix and scale of certain activities, which could possibly have the potential to disrupt or exacerbate market dislocations, regardless of whether a financial company is experiencing financial distress. MetLife actively participates in these funding markets and engages in securities financing transactions in a significant way.

It is possible that I might have even agreed with the Notice of Final Determination had the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities of MetLife been accepted as the precursor that could affect the potential for material financial distress at the company to transmit financial instability. Indeed, in its Final Rule and Guidance, the Council recognized that there is some degree of overlap between the First and Second Determination Standards as a nonbank financial company that could pose a threat to U.S. financial stability because of the nature, scope, size, scale, concentration, interconnectedness, or mix of its activities could also pose a threat to U.S. financial stability if it were to experience material financial distress.[4] However, the Notice of Final Determination concludes that the origin of the company's systemic risk would stem from a sudden and unforeseen insolvency of unprecedented scale, of unexplained causation, and without effective regulatory responses or safeguards. I simply cannot agree with such a premise, which is the central foundation for this designation.

This decision by the Council designating MetLife should come as no surprise to anyone, as it has long been anticipated and expected. However, it may be helpful to take a quick holistic look-back to consider the chronology of certain circumstances that led to MetLife's designation.

On February 14, 2013, MetLife announced that it had deregistered as a bank holding company, as approved by the Board of Governors and the Federal Deposit Insurance Corporation (FDIC),

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[3] Therese M. Vaughan, Ph.D., Dean of the College of Business and Public Administration, Drake University, and former Iowa Insurance Commissioner, President and CEO of the National Association of Insurance Commissioners, International Association of Insurance Supervisors Executive Committee member, and Chair of the Joint Forum.
[4] 12 C.F.R., Pt. 1310 (1-1-14 Edition).

after having been supervised by the Board since 2001.[5] Many of the company's activities set forth in the Notice of Final Determination developed over this time period. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), once MetLife had deregistered as a bank holding company, it then became eligible for Council review as a non-bank financial institution.[6]

On July 18, 2013, the Financial Stability Board (FSB), an international organization within the umbrella of the Group of Twenty (G-20), primarily comprising the world's finance ministers and central bankers, including the U.S. Department of the Treasury (Treasury) and the Board of Governors, announced that it had identified MetLife as a global systemically important financial institution (G-SIFI). G-SIFIs are declared by the FSB to be "institutions of such size, market importance, and global interconnectedness that their distress or failure would cause significant dislocation in the global financial system and adverse economic consequences across a range of countries."[7] Thus, MetLife was declared by the FSB as a threat not to just the U.S. financial system, but to the entire global financial system.

The FSB's announcement of the identification of MetLife and eight other insurers as G-SIFIs stated that its action had been taken "in collaboration with the standard-setters and national authorities;" and, that as G-SIFIs, these organizations would be subject to policy measures including immediate enhanced group-wide supervision, as well as to recovery and resolution planning requirements.[8] It is clear to me that the consent and agreement by some of the Council's members at the FSB to identify MetLife a G-SIFI, along with their commitment to use their best efforts to regulate said companies accordingly, sent a strong signal early-on of a predisposition as to the status of MetLife in the U.S -- ahead of the Council's own decision by all of its members.

Despite subsequent assertions by some of the Council's members that the FSB and Council processes are separate and distinct, they are in my mind very much interconnected and not dissimilar. It would seem to follow that FSB members who consent to the FSB's identification of G-SIFIs also commit to impose consolidated supervision, yet-to-be agreed-to capital standards, resolution planning, and other heightened prudential measures on those G-SIFIs that are domiciled in their jurisdictions. With respect to MetLife and the other U.S. insurance organizations declared to be threats to the global financial system - American International Group (AIG) and Prudential Financial, Inc., (Prudential) - the only way that FSB policies and measures can be imposed upon such G-SIFIs is through a determination by the Council as a

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[5] MetLife Press Release, "MetLife sheds bank holding company status with approvals from the Federal Reserve and FDIC" (February 14, 2013).

[6] See 12 U.S.C. §5311(a)(4)(B), excluding bank holding companies from the definition of "nonbank financial company."

[7] See, FSB, "Progress and Next Steps Towards Ending "Too-Big-To-Fail" (TBTF), Report of the Financial Stability Board to the G-20" (September 2, 2013), p. 8.

[8] FSB, Press Release, "FSB identified an initial list of global systemically important insurer (G-SIIs)," Ref. no: 49/2013 (July 18, 2013).

whole that material financial distress or activities occurring at such companies could: (a) pose a threat to the financial stability of the United States, and (b) should be supervised by the Board of Governors. A failure of the Council to designate MetLife would thus appear to amount to a failure of the U.S. to meet international commitments already made within the G-20.

Although it may be technically accurate to say that the FSB's declaration is not legally binding on the Council, the FSB explicitly acts in collaboration with the standard-setters and national authorities with the expectation that the intended effects will be achieved by FSB member countries. The FSB's framework for the identification of systemic risk in the financial system is clear about this intended influence: "The FSB's decisions are not legally binding on its members – instead the organisation operates by *moral suasion and peer pressure*, in order to set internationally agreed policies and minimum standards that its members commit to implementing at national level."[9]

As the FSB continues to consider other U.S. financial firms for designation as G-SIFIs, I encourage my fellow Council members whose agencies are members of the FSB to not again allow the FSB to "front-run" or pressure decisions that must be made first by the Council as a whole. Congress authorized Council members to designate U.S. and foreign nonbank financial companies at the Council level – not anywhere else. An FSB meeting with only a few Council members' agencies participating should not decide that certain firms are systemically important; or, conversely, that any firms are not systemically important, before the Council as a whole has decided those questions. To do otherwise seems to me to undermine confidence in the Council itself; to be inconsistent with the intent of Congress; and to be patently unfair to those nonbank financial companies under review that must be afforded due process and fair dealing under U.S. law and procedures.

So, now that the Council has designated MetLife a U.S. SIFI, it joins AIG, Prudential, and GE Capital Corporation (GECC), as firms under consolidated supervision by the Board of Governors. Yet, it also appears to me that perhaps all that the Council has really achieved is to resign these four companies to their pre-designation status as firms previously overseen by the Federal Government.

Prior to designation, I, like many, viewed the Federal Reserve Bank of New York as a *de facto* supervisor of AIG due to its role as lender in unusual and exigent circumstances; Prudential, as a savings and loan holding company, was subject to supervision by the Board of Governors for about one year until the company changed its thrift charter; and GECC, another savings and loan holding company, had been subject to supervision by the Board since July 2011. MetLife was supervised by the Board as a bank holding company for over a decade until it "de-banked" in early 2013, as noted earlier. Granted, now that these four U.S. nonbank financial companies

[9] http://www.financialstabilityboard.org/about/#framework (accessed December 1, 2014) (emphasis supplied).

have been designated as U.S. SIFIs, the Board of Governors' Dodd-Frank Act authorities to be applied will undoubtedly be more robust than those previously applied.

After nearly 4½ years, the Council's search for SIFIs has found potential systemic risk concentrated in the insurance sector with three of the four designated SIFIs being insurers. I am concerned as to whether different types of nonbank financial companies may be receiving disparate treatment both in the Council's analysis and processes. As the Council continues its work, it is my hope that we can concentrate our efforts to consider regulatory reform and improve regulation of those large nonbank financial companies and their activities that have been left largely unexamined since the financial crisis, but that may significantly risk financial instability. The Council's vigor in evaluating such unexamined (and in some cases unregulated) nonbank financial companies is imperative in successfully fulfilling its charge to identify threats to our financial system, economy, and the American people.

## View of Adam Hamm, the State Insurance Commissioner Representative

I have serious concerns with the Basis for the Council's final determination that MetLife's material financial distress could pose a threat to the financial stability of the United States. I note that my predecessor, Director John Huff of the Missouri Insurance Department, also had concerns with the Council's Basis for the proposed designation of MetLife. Not only do I agree with his earlier assessment of the Council's Basis for the proposed designation, but I am particularly troubled that the issues he has identified have not been fully addressed in the rationale for the final designation. Specifically, the Council has failed to appropriately consider the efficacy of the state insurance regulatory system. As President of the National Association of Insurance Commissioners, I have seen first-hand how states effectively coordinate and address regulatory concerns. While the primary purpose of state insurance regulatory authorities is to protect policyholders, their attendant effect on protecting the financial system from actual or potential systemic risks should not be ignored. In addition, the Council uses a flawed asset liquidation argument that relies on speculative surrender amounts and does not appropriately take into account the insurance business model, insurance company regulation, and the disincentives policyholders have to surrender their insurance policies. Last, the Council has failed to address the criticism that it did not conduct a robust analysis of characteristics of MetLife beyond its size, particularly as it relates to the exposure channel discussion. Identifying outer boundaries of exposures and claiming they could impact a nebulously defined market is not robust analysis; it simply means the Council has identified a very large company.

I specifically take issue with the following aspects of the Council's Basis for the final determination:

1. It is disturbing that the Council continues to diminish the role of the state insurance regulatory framework, which not only reduces the likelihood of failure (an issue that the Council claims it does not have to consider), but also the impact on the financial system from the company's material financial distress. Indeed, state insurance regulators have expansive authorities and wide discretion to utilize them. This is a strength of our insurance regulatory system, and enabled state insurance regulators to effectively protect policyholders throughout the recent financial crisis. It is noteworthy that my staff sought to correct basic factual errors regarding the operation of the state regulatory system just days before the vote on the final designation of the company. Even though some errors were corrected, it is unclear whether the Council ever fully considered the nature and scope of the state insurance regulatory system. After three insurance company designations in four years, it confounds me that much of the Council and staff continue to misunderstand and mischaracterize the insurance regulatory framework.

   There is no better evidence of this than the Council's depiction of the state insurance regulatory framework in Section 5 of the Basis. In an effort to find fault with MetLife's arguments regarding regulatory scrutiny, the Council seeks to poke holes at specific tools

of state insurance regulators, particularly risk-based capital (RBC). State insurance regulators have multiple tools at their disposal to identify concerns at companies, not just RBC. RBC is an objective tool, embedded in state statutes, used by regulators on at least an annual basis to trigger specific actions when an insurer's surplus drops below regulatory thresholds based upon key risks for the insurer. Other regulatory tools, which the Basis inaccurately describes in several respects, such as ongoing examination and analysis programs, are designed to identify concerns, require information on a more frequent basis than RBC, and exist to address specific issues before RBC is triggered. Moreover, state insurance regulators can declare that a company is in Hazardous Financial Condition, which is a tool available to all state insurance regulators, and provides them the ability to take a wide range of actions beyond those specifically identified in the Basis: including reducing, limiting, or suspending the volume of business; limiting or withdrawing from certain investments and investment practices; suspending or limiting dividends; correcting corporate governance deficiencies; and imposing stays, among others. The Basis fails to fully consider the range of mechanisms insurance regulators use to identify and address problems despite their being equally or even more important than RBC. Not only do these tools help prevent solvency concerns with the company, but, as a result of our authorities allowing for early regulatory intervention and ongoing supervision, they also minimize the impact of any material financial distress on policyholders, other counterparties and the system. Disregarding the full scope of state insurance regulatory authorities misapplies Section 113 of the Dodd-Frank Act that the Council appropriately take into account the degree to which the company is already regulated when making a determination that a company could pose a threat to the financial stability of the United States.

2. Notwithstanding the valid argument that MetLife raises about the likelihood of the company's failure, even if you assume material financial distress at MetLife and that the Council had a fulsome understanding of the system (which for the reasons above I do not believe it does), the Council's description of existing regulatory scrutiny misses the mark. To effectively assess how regulation mitigates the risks the firm poses to financial stability, the Council should have sought to match the areas of concern to the authorities of existing regulators to address those concerns. The Basis fails to do this. As a result, the Basis fails to acknowledge that most, if not all, of the concerns it identifies (several of which have questionable merit) are addressed by the existing regulatory structure. This omission makes the Council's rationale for its decision fundamentally flawed.

   This is particularly the case with the asset liquidation channel discussion. For example, the Council raises concerns with significant policyholder surrenders in the event of MetLife's material financial distress and any attendant asset liquidation resulting from those surrenders. Insurance regulators have the authority to impose stays or apply similar

powers to manage heightened policyholder surrender activity. Consistent with the objectives of insurance regulation, these actions can be taken to preserve assets for policyholders, who do not or cannot surrender their policies, in order to ensure their insurance claims can be paid in the future. Fears of surrenders leading to mass asset liquidation are thus unfounded, as insurance regulators have the ability and, moreover, the responsibility to take action in such an event. To the extent that the Council speculates about such stays leading to further contagion across the insurance industry, insurance regulators have extensive authorities to intervene to protect policyholders at these other firms as well. It is worth noting that our authorities are flexible and provide us substantial means to quell panic. Even when a stay is implemented, insurance regulators can allow the release of funds in certain circumstances such as, for example, when a policyholder faces a financial hardship or similar emergency. With respect to the exposure channel, it is also worth noting that several of the exposures of concern to the Council appear to be primarily with entities that are regulated by Council member agencies. If Council members are concerned about their regulated entities' exposures to MetLife, it is far more effective to limit those entities' exposures to MetLife than to designate MetLife. In fact, the state insurance regulatory system has investment laws that include limitations on the maximum exposure to any single issuer to ensure our regulated entities are not unduly exposed to any one entity, irrespective of its size or perceived risks that entity may pose to the financial system.

It is unclear from the Basis what additional tools beyond those already at an insurance regulator's disposal could effectively address the risks the Council identifies, which are, in large part, concerns emanating from insurance legal entities that state insurance regulatory authorities are specifically designed to address. As Benjamin Lawsky, Superintendent of the New York Department of Financial Services, noted in his letter of July 30, 2014, his department and other state regulators employ a wide array of tools in supervising MetLife including, but not limited to: constant and ongoing supervision and examination, limitations on the type of and concentration of invested assets, risk-based capital and reserving requirements focused on early intervention in times of distress; review of filed derivative use plans; prior approval of intercompany transactions; prior approval of new policy types, rates and lines of business; financial reporting; and statutory accounting requirements that are more conservative than Generally Accepted Accounting Principles. Suggestions or assertions that a consolidated regulator would more effectively address the identified potential risks should be supported by a description of the tools, how they explicitly address the systemic risks identified, and experience from past financial crises, lest they appear without merit or self-serving. For example, while requiring additional capital is a useful tool, a capital surcharge cannot prevent let alone substantially mitigate the impact of a hypothetical insurance policyholder run of all applicable policies that the Council identifies in the Basis. Simply

put, the tools at the disposal of state insurance regulators are either equally or more effective than the enhanced prudential standards that would be at the Federal Reserve's disposal in addressing many of the risks the Council identifies.

3. Despite verbiage sprinkled throughout the Basis indicating the Council considered a range of scenarios detailing the potential impacts of the material financial distress of MetLife, it remains unclear to me what specific scenarios were presented to the Council and therefore it is impossible to evaluate whether those scenarios were appropriate to apply to an insurance company. To the extent the Council believes the Basis sets forth appropriate scenarios, I must respectfully disagree. For example, in analyzing asset liquidation, nowhere in the Basis does the Council a) delineate stressed run scenarios, including the impact of company and/or regulatory stay activities, b) identify asset liquidation scenarios and their impacts to specific and defined financial markets; and c) compare those impacts to normal and stressed ranges of variance in those specific and defined markets. Moreover, the Basis implicitly assumes material financial distress at all insurance entities at the same time, yet the Basis cites no historical examples of that having ever occurred. Each legal entity insurer has unique characteristics and writes different products, which have different policyholder characteristics. Accordingly, each insurance entity would react to stress differently and its regulator would appropriately respond differently to those specific circumstances.

   As for the exposure channel, the Council makes claims that retail policyholders or corporate customers would suffer losses as a result of material financial distress at MetLife, but does not detail how those losses translate into "an impairment of financial intermediation or of financial market functioning that would be sufficiently severe to inflict significant damage on the broader economy." Unsubstantiated qualitative statements describing "concerns," or "potential negative effects," for example, should not be a substitute for robust quantitative analytics that demonstrate scenarios that MetLife's material financial distress could have substantial impacts to particular asset markets or the financial system as a whole. Saying it does not make it so.

4. A key consideration for the final designation is the asset liquidation channel. The final Basis, like the proposed Basis, continues to offer merely speculative outcomes related to the liquidation of assets based in large part on hypothetical and highly implausible claims of significant policyholder surrenders. To remedy this, the Council offers additional analysis in an appendix, but that analysis treats all financial institutions exactly the same using broad-based assumptions regarding asset dispositions that do not take into account the specific characteristics of MetLife, its assets and liabilities, the particular characteristics of insurance products or insurance policyholder behavior. There is no explicit provision for the differences in timing and the assets of MetLife are categorized

using bank asset categories even though they are substantially different. In contrast, an economic consulting firm, on behalf of MetLife, prepared an analysis that more appropriately captured the unique characteristics of the insurance business model and was tailored to MetLife's products and asset profile. Notwithstanding that this analysis also did not take into account regulatory intervention, the analysis studied multiple scenarios (some of which are highly implausible in my estimation) that linked liability runs to MetLife's available liquidity, liquidity obtained through asset sales, and the impacts of those sales on financial markets. It concluded that any asset liquidation that might take place as a result of MetLife's material financial distress would not pose a threat to the financial stability of the United States. The Council offered some critiques regarding the sensitivity of assumptions and results of this analysis, but still failed to perform a suitable analysis of its own.

Even assuming the Council's asset liquidation analysis was appropriate otherwise, it does not take into account the impact of regulatory intervention as described above. This is exacerbated by the Council's failure to appreciate the historical effectiveness of the insurance regulatory system in crisis. For example, in response to the arguments by MetLife seeking to analogize the impacts of a failure of MetLife to other insurance company failures in history, the Council notes correctly that the failure of an insurance company of MetLife's size and scope has never taken place. While that is a fair statement as each company has its own unique characteristics, the fact that there is no comparable insurance failure is a testament to the state insurance regulatory system, a fact that the Council ignores. The Council effectively assumes lack of regulatory intervention in the discussion or otherwise fails to take into account the breadth and effectiveness of the authorities at a state insurance regulator's disposal. As a result, the Council's analysis misapplies Section 113, which requires the Council to consider existing regulatory scrutiny in determining whether a company's material financial distress could pose a threat to the financial system of the United States.

5. With respect to the exposure channel analysis, the Council appears to be primarily concerned that that the company is large. The discussion of the exposure channel fails to set forth sufficient evidence to conclude that MetLife's exposures to various counterparties are large enough individually or in the aggregate to pose a threat to the financial stability of the United States. While the Council acknowledges mitigants such as those identified by MetLife in its comprehensive submission in opposition to its proposed designation, the Council fails to incorporate them in a meaningful way in its exposure discussion. As a result, any large company could meet the standard applied by the Council in the exposure channel even if individual exposures were relatively small and well within regulatory limits. Importantly, the Council fails to consider the mitigating benefits to a company of spreading its risks across different counterparties,

leaving large companies unable to determine the Council's specific concerns with their investment behavior given the illogic that both spreading and concentrating investments can be the basis for designation.

6. I also take issue with certain arguments that are not firm-specific. For example, the Council raises concerns that a MetLife failure could stress the guaranty fund system. To the extent the Council takes issue with the capacity of the guaranty funds more broadly to handle other insurer failures, that is an issue with the guaranty fund system not MetLife. Another example is the Basis' treatment of MetLife's Funding Agreement Backed Securities Programs and their impact on money market funds in the event MetLife would be unable to meet its obligations under those contracts. The Securities and Exchange Commission (SEC) has issued rules to address the concerns relating to the risk of money market funds "breaking the buck." Broad-based reform such as the SEC rules rather than designation is the more appropriate vehicle for addressing concerns about money market funds. While I support the SEC's efforts, if the Council does not believe that the new rules adequately addresses its concerns with money market funds, it should work with the SEC to resolve such concerns rather than designating firms such as MetLife that have exposures to money market funds.

7. At its core, the Basis demonstrates that the Council has created an impossible burden of proof for companies to meet as it effectively requires companies to prove that there are no circumstances under which the material financial distress of the company could pose a threat to the financial stability of the United States. It remains to be seen whether this approach is legally tenable. Even if one assumes, however, that it is legally tenable and it is not necessary to ascribe the likelihood of any one scenario, that should not excuse the Council from setting forth specific quantitative scenarios, based on reasonable, albeit stressed assumptions, demonstrating that the material financial distress of the company meets the statutory standard. Without applying some sort of overlay of plausibility, any large company could meet the statutory standard as applied by the Council. Yet it is well established that size cannot be the only criterion for designation. If it were, Congress would have passed a law treating nonbanks the same as bank holding companies, requiring Federal Reserve supervision and enhanced prudential standards to any company above a certain size threshold. Because Congress did not do this and specifically required that the Council consider at least 10 statutory considerations (not the least of which is the "the degree to which the company is already regulated"), the Council should do more than put together a lengthy discussion that raises concerns with the characteristics of any large company.

Finally, I would be remiss if I did not mention that, despite the sheer volume of arguments (no matter how far-fetched) contained in the Basis, the Council fails to identify the specific set of legitimate issues of concern that has led to the company's designation. Our goal as a Council

should be to reduce systemic risks to the U.S. financial system. While designation of a company is just one tool to address systemic risks, if it is going to be a useful one, the Basis for this designation should clearly delineate the causes of the Council's concern, be based on robust analytics designed to demonstrate the evidentiary basis for such concerns, and provide the company a clear roadmap as to the rationale for its designation. Absent a clear rationale from the Council and an "exit ramp" from designation, neither the company nor its regulators can realistically determine how best to proceed in reducing the company's risk to the system and eliminating its "Too Big to Fail" status.

For the reasons set forth above, I have serious concerns with the Basis for the final designation of MetLife.