

Draft date: 10/28/25

*Virtual Meeting*

**MACROPRUDENTIAL (E) WORKING GROUP**

Friday, November 7, 2025

2:00 – 3:00 p.m. ET / 1:00 – 2:00 p.m. CT / 12:00 – 1:00 p.m. MT / 11:00 a.m. – 12:00 p.m. PT

**ROLL CALL**

Bob Kasinow, Chair	New York	John Rehagen	Missouri
Carrie Mears, Vice Chair	Iowa	Anthony Quandt	Nebraska
William Arfanis/Ken Cotrone	Connecticut	Jennifer Li	New Hampshire
Tom Hudson	Delaware	David Wolf	New Jersey
Philip Barlow	District of Columbia	Diana Sherman	Pennsylvania
Carolyn Morgan	Florida	Ted Hurley	Rhode Island
Roy Eft	Indiana	Rachel Hemphill/	Texas
Lynn Beckner	Maryland	Jamie Walker	
John Turchi	Massachusetts	Greg Chew/Dan Bumpus	Virginia
Steve Mayhew	Michigan	Amy Malm	Wisconsin
Fred Andersen	Minnesota		

NAIC Support Staff: Tim Nauheimer

**AGENDA**

1. Discuss Funding Agreement Backed Notes (FABNs)—*Bob Kasinow (NY)* Attachments 1&2
2. Consider Exposure of Draft Blanks Proposal Memo for Public Comment  
—*Bob Kasinow (NY)* Attachment 3
3. Discuss Any Other Matters Brought Before the Working Group  
—*Bob Kasinow (NY)*
4. Adjournment

# Funding Agreement Backed Notes/Securities (FABNs/FABS)

*Macroprudential Working Group Call*  
November 7, 2025

# Funding Agreement Backed Notes (FABNs) Discussion

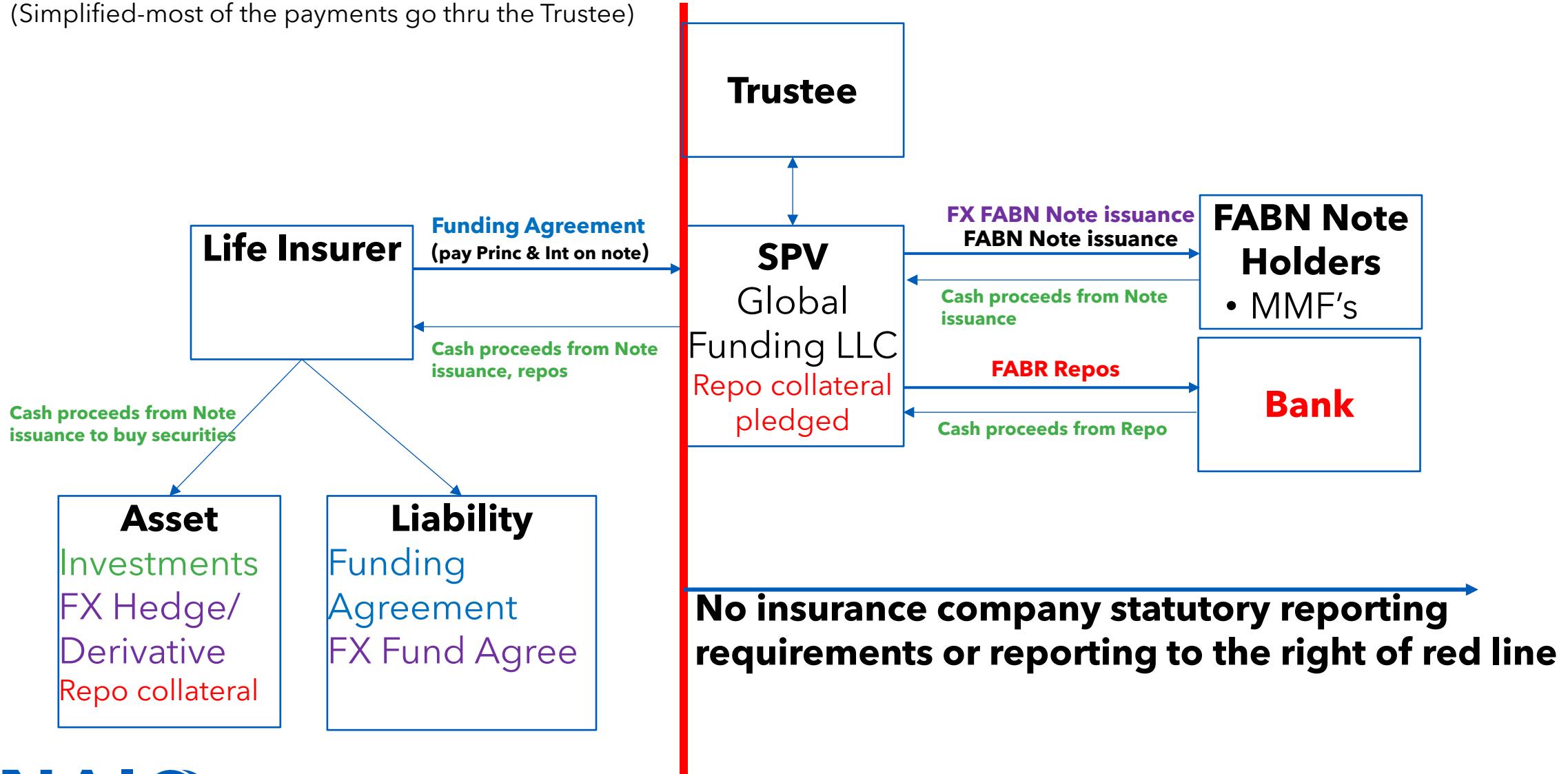
## Agenda

**The purpose of this call is to understand additional types of FABNs (FX and FABRs), discuss ACLI's responses to key questions posed to them and discuss possible disclosure of this activity.**

1. Understanding of FXFABNs and FABR
2. ACLI Responses to regulator questions
3. Discuss possible disclosure/Blanks proposal
4. Approve Blanks Proposal memo exposure for 30 days

# Funding Agreement Backed Notes (FABNs) Flow Chart

(Simplified-most of the payments go thru the Trustee)



# Funding Agreement Backed Notes (FABNs) Discussion

## Understanding of FXFABNs and FABR

**FXFABNs**-Foreign currency funding agreement backed notes. Purple text in flow chart

The SPV issues foreign denominated FABNs and the insurer legal entity issues corresponding foreign currency denominated funding agreements.

Approximately \$48.4 billion or 24% of outstanding issuance is denominated in foreign currencies as of YE 2024.

Some insurers use currency or interest rate swaps to hedge the FX exposure. Recorded in Schedule DB.

# Funding Agreement Backed Notes (FABNs) Discussion

## Understanding of FXFABNs and FABR

**FABRs**-Funding agreement backed repurchase agreements. **red text in flow chart**

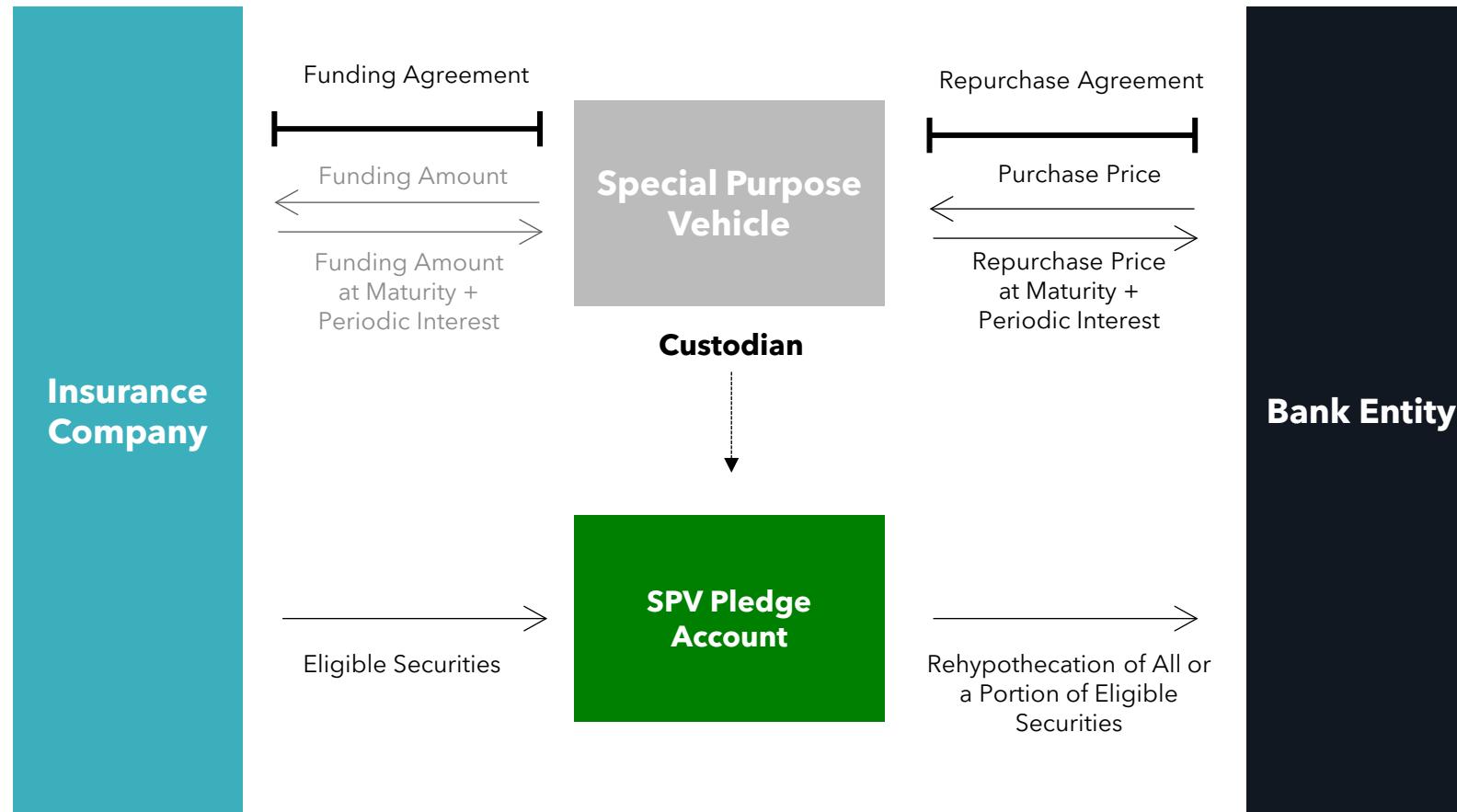
The SPV enters into a repurchase agreement directly with bank counterparties.

The insurer issues a funding agreement to the SPV to support the repurchase agreement. The insurer also pledges collateral for the Repos to an SPV controlled Collateral account.

According to the Fed, \$18.5 billion of FABRs were outstanding as of 3/31/25.

According to industry/ACLI FABRs receive less of a capital charge for the bank counterparties, therefore opening up additional repo market opportunities for insurers.

# Secured Funding Agreement Structure (FABR)



- Similar to FHLB Funding Agreements, borrowings are collateralized by a pool of collateral, all or a portion of which is available to be rehypothecated by the Bank Entity
- SPV facilitates capital efficiency
  - The insurance company issues a funding agreement to the SPV
  - The bank enters into a repo transaction with the SPV

# Funding Agreement Backed Notes (FABNs) Discussion

## Leverage, responses from ACLI

### Q posed to ACLI:

Comment on whether FABNs and FHLB advances are considered leverage/debt?  
Question 4 in the attached materials.

### Response: abbreviated-see attachment for full response

*Spread lending proceeds are not used for operating purposes (income generation). When a regulated insurance company issues an FA to support an FABN issuance or an FHLB advance for the insurance company's spread lending business, the proceeds of the FA must be invested in the general account of the regulated insurance company (unlike financial debt, which proceeds may be used for general corporate purposes and may not necessarily remain on balance sheet). FAs backing FABNs or FHLB borrowings for use in spread lending are treated as operating leverage and not debt; however, borrowing from FHLB for general corporate advances is considered debt. FHLB advances not evidenced by a FA could be considered debt and are disclosed in Note 11 in financial statements.*

# Funding Agreement Backed Notes (FABNs) Discussion

## Derivative use/Disclosure-FXFABN Hedging

### **Q posed to ACLI:**

Specifically, where is the derivative instrument (swaps, forwards, etc.) booked? In the SPV or in the insurance legal entity (Schedule DB)? Question 9 in the attached materials.

### **Response:**

*Insurers are typically hedging on their balance sheets (not at the SPV), and the derivatives are reported on Schedule DB. There is no need to hedge at the SPV because the terms of the funding agreement, including the currency, mirror the terms of the funding agreement backed note.*

### **Q posed to ACLI:**

Can companies include a summary of the hedges used for each FA? Can companies match the swaps reported in Schedule DB with the FAs backing FABNs? Follow-up question posed via email.

### **Response:**

We do not think it is feasible to map the hedges to the FAs for the following reasons:

- The hedges are not necessarily on a one-to-one basis with the FAs
- While some companies use derivatives to hedge FX risk, others back non-USD FABN with assets denominated in that same currency, effectively aligning the currency of the liabilities and assets to mitigate the risk.

# Funding Agreement Backed Notes (FABNs) Discussion

## Disclosure, responses from ACLI

### Q posed to ACLI:

Thoughts on potential disclosure or reporting of FABN activity and identification of the funding agreements that back FABNs? Could insurers report individual funding agreements that back FABNs? Question 3 in the attached materials.

### Response:

7-31-25: *ACLI would suggest adding a footnote to Exhibit 7 to separately identify the total amount of FAs backing FABN.*

10-3-25: Reporting individually by agreement would be unwieldy.

We are proposing a disclosure in the format of Exhibits 5, grouping FAs backing FABNs by common features (e.g., years to maturity, interest rate basis)

# Funding Agreement Backed Notes (FABNs) Discussion

## Disclosure, responses from ACLI

### Exhibit 7 Proposed Additional Data Request for Funding Agreements Backing FABN

Do any Funding Agreements backing FABN have embedded options? Y/N

If yes, explain.

Do all Funding Agreement terms mirror the terms of the FABNs? Y/N

If no, explain

Effective date Balance (USD)			
Remaining Years to Maturity	Fixed Rate	Floating Rate	Total
Due in one year or less	\$492	\$787	\$1,279
Due after one year through five years	\$539	\$605	\$1,144
Due after five years through ten years	\$268	\$175	\$444
Due after ten years	\$871	\$404	\$1,275
<b>Total *</b>	<b>\$2,171</b>	<b>\$1,971</b>	<b>\$4,141</b>

\* Included in Total Deposit Type Contract balances in Exhibit 7.

### *Summary of Funding Agreements by Currency Denomination*

Currency	Effective date Balance (USD)
AUD	\$344
CAD	\$304
CHF	\$135
EUR	\$204
USD	<u>\$3,155</u>
<b>Total</b>	<b>\$4,141</b>

# Funding Agreement Backed Notes (FABNs) Discussion

## Disclosure

- See Blanks Proposal Memo in the materials
- Vote to expose Blanks Proposal Memo for 30 days

# Funding Agreement Backed Notes (FABNs) Discussion

## Other matters

- RITF referral-research current treatment of funding agreements in an insolvency-pari passu treatment of FX funding agreements and foreign FABN holders
- Continue understanding of exposures exceeding certain thresholds and how rating agencies treat them
- Regulator Education and Training on FABNs.

# Funding Agreement Backed Notes (FABNs) Discussion

## Regulatory tools/education module

### Education/Tools

As you can see in the above flow charts and presentations the activity can get quite complex with FX exposure, derivative use, repos out of an SPV and bank counterparty credit risk.

Would WG members be interested in a training module on the topic?

Add guidance to the handbooks?

Should we consider some leverage tools that aggregate FHLB, FABN, Sec lending and Repos for insurers?

➤ There was regulator support for some type of training-TBD

# Funding Agreement Backed Notes (FABNs) Discussion

## Next Steps

- Blanks Proposal Comments due Dec 8
- Plan to vote for Blanks referral at Fall NM
- Allows for disclosure in blanks for YE 2026
- Continue to research and follow up on items in slide 12
- Conduct follow up and research on FABRs
- Follow up on any other matters as a result of this call

Comments on next steps?

# Funding Agreement Backed Notes (FABNs) Discussion

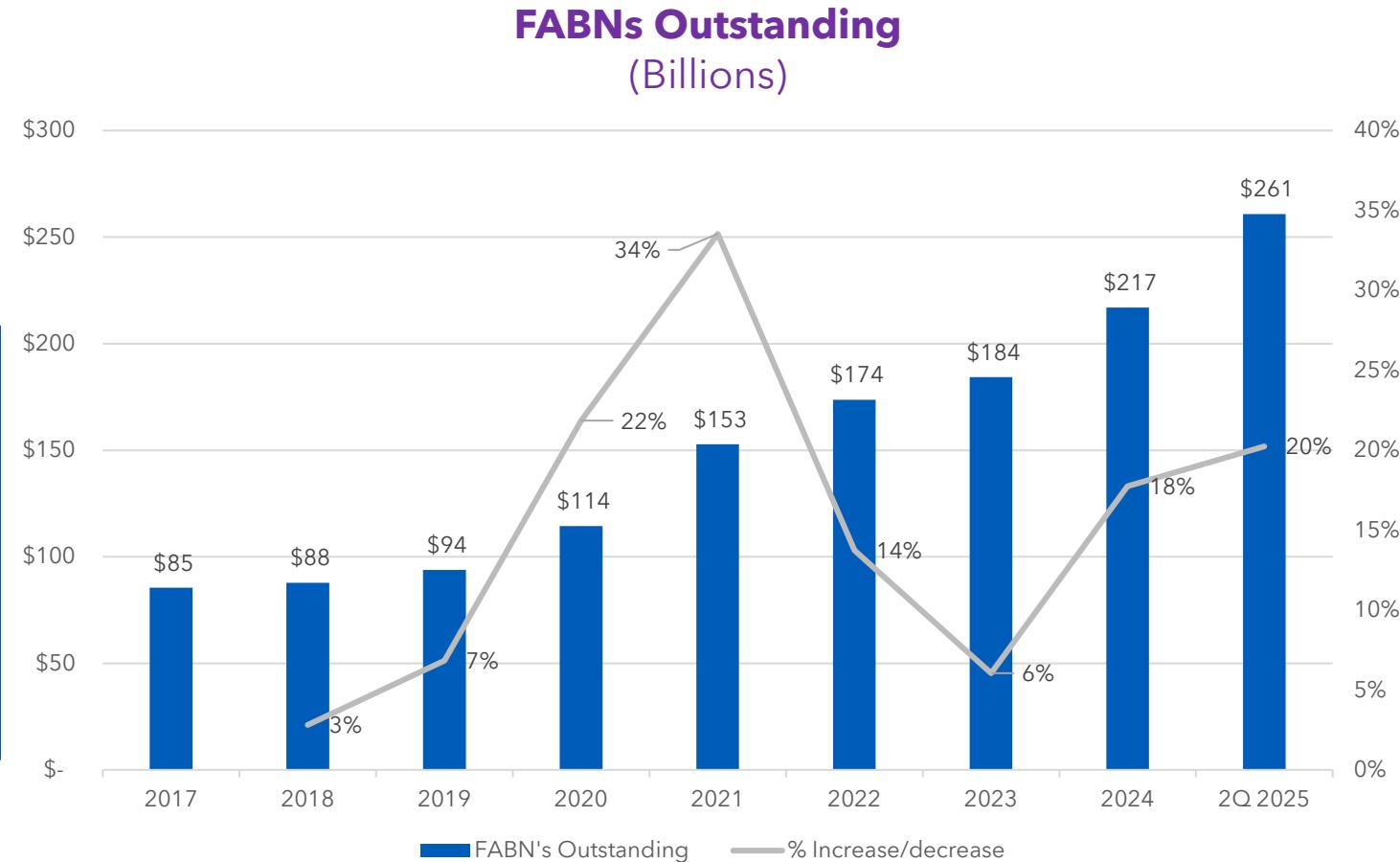
## APPENDIX

# Funding Agreement Backed Notes (FABNs)

We have to rely on the Fed for this data

**YE24 Difference:**  
 Bloomberg has \$135B  
 Fed has \$217B

**FX FABNs:**  
 Bloomberg \$48B  
 Fed nil-\$357 Million



**Source:** <https://www.federalreserve.gov/releases/efa/efa-project-funding-agreement-backed-securities.htm>

# Funding Agreement Backed Notes (FABNs)

## Summary of Key Risks

- **Reporting/Transparency Risk** -No insurance statutory reporting of FABNs
- **Liquidity Risk**
  - potential for FABNs to have optionality which allows the lender to demand funds unexpectedly (put risk)
- **ALM Risk**
  - the insurer invests in longer dated assets than the FABN term with the expectation the FABN will refinance or roll, but the lender (FABN) holder demands return of principal (roll risk/ALM risk)
- **Credit Risk**
  - Insurers hedge FX FAs that back FX FABNs with currency swaps, introducing derivative counterparty credit risk associated with this activity

## Mitigants

- FABNs are typically not puttable, meaning lenders cannot demand their cash outside of normal maturity dates
- Substantiation of appropriate ALM at entity level, ensuring duration and cash flow matching between the FA and investments

# Funding Agreement Backed Notes (FABNs)

## Detailed Risks and Mitigation

### Reporting/Transparency Risk

- There is no detailed insurance statutory reporting of FABNs issued and outstanding
- We don't know if Extendable FABNs (XFABN) with embedded put options are issued and/or outstanding
- We don't know if FX FABNs and FX Funding Agreements are issued and/or outstanding
- Hidden leverage or Nontraditional liabilities as the Fed refers to them -meaning the liability/funding agreement is not categorized as debt

### Liquidity Risk

- If FABN noteholders put or do not roll their note and want their principal back and the insurer can't liquidate or liquidate at a loss the corresponding investment to raise cash and pay the principal on the note.
- Regulators do not receive statutory reporting to determine if the duration/maturity of the FA and the investment agrees to the FABN issued.
- Fitch views FABNs as having a modestly higher risk profile than traditional insurance lines, driven by the product's credit and rate sensitivities.

### Mitigants

- FABNs are typically not puttable, meaning lenders cannot demand their cash outside of normal maturity dates
- Insurer ALM, AAT, CFT, and there is duration and maturity match between the FABN, FA and investment.
- Theoretically, the maturity of the FABN should match the maturity of the funding agreement -but we don't know this because regulators do not receive any statutory reporting on the FABNs issued

## FHLB Loans/Advances

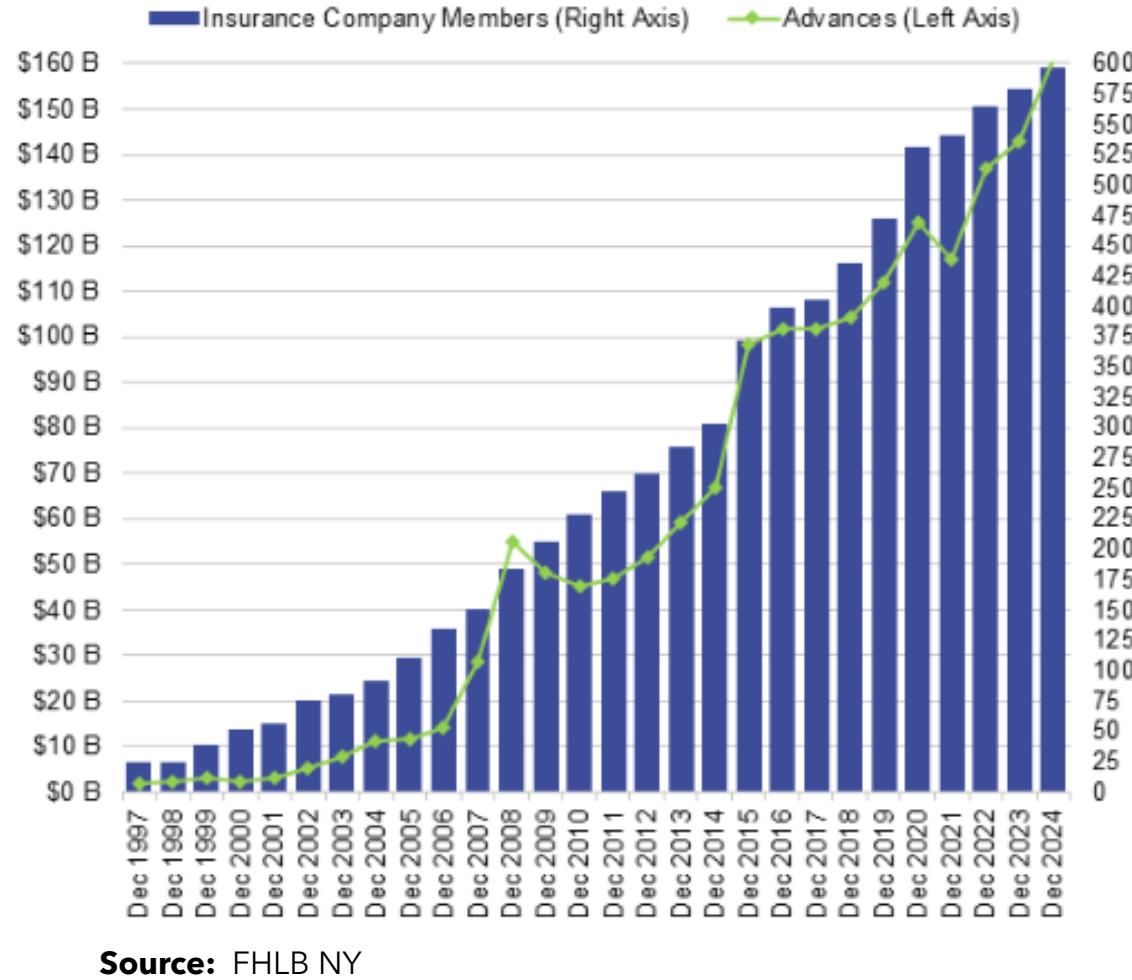
Straight forward borrowing by insurer and using the proceeds to invest

- Another form of leverage/spread business
- Transparent and detailed statutory reporting-in Notes, Interrogatories, Exhibit 7
- The confusion with FABNs is that life insurers issue Funding Agreements to the FHLB as part of the loan agreement to pay principal and interest
- Funding Agreements that back FABNs cannot be distinguished from funding agreements issued for other purposes or other deposit-type contracts such as GICs
- Although the funding agreement reserve is categorized as a liability, it is classified as an insurance liability and NOT Debt
- The total debt and leverage is not very transparent-for both FABNs and FHLB loans

## FHLBank System Insurer Members & Advances

	Billions
12/31/2024 FHLB*	\$ 161.138
12/31/2024 FABN	\$ 216.949
Total	\$ 378.087

**\*Source:** FHLB Combined Financial Report as of 12-31-24



**Source:** FHLB NY

# Leverage-Macro View

## Aggregate Industry Exposures:

- **FHLB + FABNs = \$436 Billion as of 6/30/25**
  - **10% of Invested Assets** (Life Co's w FHLB & FABN)
  - **106% of Capital & Surplus** (Life Co's w FHLB & FABN)
  - **300% or 3x Cash** (Life Cash & Cash Equivalents-\$129B)

## Other categories of leverage:

- **Debt Issuance-\$80B**
- **Surplus Notes-\$51B**
- **Repurchase Agreements-\$45B**
- **Securities Lending-\$44B**
- **Revolvers/LOC-?**

	Billions
6/30/2025FHLB	\$ 175.156
6/30/2025FABN	\$ 260.869
Total	\$ 436.025

## NAIC FABN Questions

1. Does the presentation summarize the process, risks and mitigants fairly and accurately? Please comment, correct, etc.

*ACLI's presentation was prepared to share our members' view of the process, risks, and mitigants of FABN programs. We view FAs backing FABNs as deposit-type contracts and manage them accordingly. While the risks noted in the NAIC presentation could apply if unmanaged, those risks are mitigated using the risk management tools also identified in both the NAIC and ACLI presentations.*

*Liquidity risk for FAs backing FABNs is similar to other insurance products (assuming ALM and cash flow matching are appropriately managed by the issuer the same way as other insurance liabilities). ACLI would suggest referring to disintermediation risk instead of liquidity risk. Disintermediation risk is likely lower for FAs backing FABNs than other insurance products due to there not being any embedded put options in the FABN market currently.*

*Given that SPVs are not subject to insurance company statutory obligations, FABNs should not be reported in insurance companies' statutory financial statements.*

*However, the FAs backing FABNs are insurance company statutory obligations and therefore are and should be disclosed in insurance company statutory financial statements. In the statutory financial statements, insurance companies must disclose their statutory obligations (i.e., liabilities). A FABN is the obligation of the SPV and not the insurance company.*

*FAs bear some similarities to fixed annuities (without the associated policyholder behavior risks) but issued at larger sizes, FAs obtain operating leverage treatment when used specifically for spread lending purposes and not for general corporate purposes. Therefore, ACLI thinks it is inappropriate to characterize FAs when used for spread lending purposes (such as all FAs backing FABNs) as financial leverage or to aggregate with corporate debt, given that spread lending requires that the proceeds of the FA are invested in the general account of insurance companies. According to Moody's, "Because operating debt does not leverage a company's capital base, earnings, or cash flow, we believe it imposes a lower burden on an enterprise than financial debt."<sup>1</sup>*

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<sup>1</sup> *Evaluating Operating Debt Used by Insurance Companies*, Moody's Investor Service, August 30, 2016.

*Additionally, state insurance regulations recognize FAs backing FABN as insurance contracts that are pari passu with other general account policyholder obligations.*

2. Could you share some examples of how you manage the potential risks of FABN programs? i.e., ALM, investment strategy, etc.

*Each FA mirrors the terms of the corresponding FABN, so risk management for the FA backing FABNs implicitly manages the risks of FABNs. Prior to each FABN issuance, the legal documents governing the FABN and the corresponding FA are disclosed and signed off by all parties (i.e., FABN purchasing agents, life insurance company, and SPV). Each party has an opportunity to confirm that (1) the terms of the FABNs are consistent with the term sheet that was agreed to on the pricing date and (2) there is a corresponding FA backing such FABNs mirroring those pricing terms exactly.*

*Given that FAs backing FABNs do not contain covenants, FAs backing FABNs do not have covenant risk that is associated with financial debt.*

*FAs have lower risks than other life insurance and annuity risks, given there is no mortality, morbidity, longevity, or policyholder optionality risk embedded in the contract. Furthermore, risks associated with FAs can be managed in a similar manner to other life insurance and annuity risks. Additionally, ALM, duration, and cash flow matching are managed the same way for FAs backing FABN as all other insurance liabilities.*

3. Thoughts on potential disclosure or reporting of FABN activity and identification of the funding agreements that back FABNs?

*Given that each FA mirrors the terms of the corresponding FABN and FAs are disclosed, there is no reason for a separate distinction. Only the FAs issued to the SPV need to be disclosed by insurance companies, not the actual notes, as the FABNs are securities issued by SPVs to investors.*

Possible areas for disclosure:

- Annual Statement-Exhibit 7/Interrogatories/Notes

*FAs backing FABNs are included in Exhibit 7 with other funding agreements but not explicitly identified in Exhibit 7. Additionally, insurers are not consistent in their Exhibit 7 bucket classifications (some include FAs backing FABN in deposit funds and others include in guaranteed investment contracts).*

*ACLI would suggest adding a footnote to Exhibit 7 to separately identify the total amount of FAs backing FABN.*

FAs backing FABNs are included in the following testing and reports like other insurance products:

- Asset Adequacy Testing
- Cash Flow Testing
- Liquidity Stress Testing
- ORSA and/or Enterprise Risk Report Form F

4. Comment on whether FABNs and FHLB advances are considered debt?

*Spread lending proceeds are not used for operating purposes (income generation). When a regulated insurance company issues an FA to support an FABN issuance or an FHLB advance for the insurance company's spread lending business, the proceeds of the FA must be invested in the general account of the regulated insurance company (unlike financial debt, which proceeds may be used for general corporate purposes and may not necessarily remain on balance sheet). FAs backing FABNs or FHLB borrowings for use in spread lending are treated as operating leverage and not debt; however, borrowing from FHLB for general corporate advances is considered debt. FHLB advances not evidenced by a FA could be considered debt and are disclosed in Note 11 in financial statements.*

*The Life and Health Insurance Guaranty Association Model Act (#520) explicitly states that FAs are covered by guaranty associations, which establishes FAs as pari passu with all other insurance products covered by the regulation:*

*This Act shall provide coverage to the persons specified in Subsection A for policies or contracts of direct, non-group life insurance, health insurance (which for the purposes of this Act includes health maintenance organization subscriber contracts and certificates), or annuities, and supplemental contracts to any of these, for certificates under direct group policies and contracts, and for unallocated annuity contracts issued by member insurers, except as limited by this Act. Annuity contracts and certificates under group annuity contracts include but are not limited to guaranteed investment contracts, deposit administration contracts, unallocated funding agreements, **allocated funding agreements**, structured settlement annuities, annuities issued to or in connection with government lotteries and any immediate or deferred annuity contracts.*

*Rating agencies generally treat funding agreements, whether backing FABNs or FHLB advances, as insurance liabilities and as operating leverage so long as they are confident in tight ALM and are subject to actuarial asset adequacy and cash flow testing. If not, they would be treated as debt and as financial leverage. This is a key distinction. FAs are viewed as operational activities when they directly support core business functions (i.e. policy obligations). However if the FA is not directly tied to operational activities (i.e. non-core investments or acquisitions), they are generally treated as debt or debt-like.*

*Per SSAP 52, paragraph 17: Funding agreements issued to a Federal Home Loan Bank (FHLB) shall be evaluated on an individual basis, and shall be accounted for according to the substance of the individual arrangement and entity licensing. If the arrangement is in substance a funding agreement, including that the funds are used in an investment spread capacity, it shall be accounted for consistent with other funding agreements in accordance with this statement. If the arrangement is in substance a borrowing agreement, it shall be accounted for in accordance with SSAP No. 15—Debt and Holding Company Obligations, consistent with other borrowed money.*

5. Should debt-to-equity ratios include debt-like insurance liabilities?

*Financial leverage is a critical input for rating agencies' determination of company ratings and rating trajectories. Debt-to-equity ratios measure financial leverage with a focus on borrowed funds. FAs backing FABNs and FHLB advances (if processed with a funding agreement) should not be included in financial leverage ratios, as they are backed by insurance and/or investment contracts, despite still being fixed obligations, and are considered policyholder liabilities instead of traditional debt. Furthermore, rating agencies generally do not include policyholder liabilities as part of financial leverage calculations that contribute to ratings and outlooks.*

6. How is it decided which legal entity issues and books the funding agreement?

*Generally but not always, FAs backing FABNs are issued from the largest operating insurance entity to provide sufficient size and comfort for investors which is disclosed in the FABN offering memorandum.*

7. Can insurers provide a general overview of the strategy, i.e., we assume to hedge interest payments, etc. Principal too?

*Funding agreements are net spread products, and each individual company can determine the strategy of how these are incorporated into their larger business. US dollar principal and interest payments generally do not need to be hedged as the cashflows are known at the time of origination, unless the liability has a floating rate coupon which can be hedged depending on the insurer's desire to be exposed to interest rate movements.*

*Diversification within the Funding Agreement channel enables growth by creating the ability to access new pools of investor funds. Each company can determine which of the funding agreement types best suit their abilities and goals.*

*For FAs backing FABNs specifically, entering non-US dollar markets grows and diversifies the investor base. Insurers are generally either hedging all contractual interest or principal back to USD or they are matching the FX denominated liabilities with FX denominated assets and are hedging the net spread back to USD. Alternatively, they could be doing some combination of the above. Either way, US insurers are generally not leaving themselves materially exposed to FX risk. Swaps and forwards are often also used to maintain the tight ALM match.*

8. What type of derivative instruments are used? The Fitch report mentions swaps and forwards.

*Yes, swaps and forwards are the most commonly used instruments.*

9. Specifically, where is the derivative instrument (swaps, forwards, etc.) booked? In the SPV or in the insurance legal entity (Schedule DB)?

*Insurers are typically hedging on their balance sheets (not at the SPV), and the derivatives are reported on Schedule DB. There is no need to hedge at the SPV because the terms of the funding agreement, including the currency, mirror the terms of the funding agreement backed note.*

10. Are the Funding Agreements that back FX FABNs USD denominated? or are they issued in the same FX of the FX FABN?

*The FA would be foreign denominated and would match the terms of the foreign-denominated FABN.*



**DRAFT**

**MEMORANDUM**

TO: Members, Interested Regulators, and Interested Parties of the Financial Stability Task Force and Macroprudential Working Group

FROM: NAIC Committee Support

DATE: November 7, 2025

RE: Funding Agreement Blanks Proposal

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**Overview:**

This memo contains NAIC staff recommendations for a Blanks Proposal to obtain additional disclosures for funding agreements that support Funding Agreement Backed Notes (FABNs) issued by life insurance companies.

FABNs are debt instruments issued by Special Purpose Vehicles (SPVs) formed by life insurance companies. The life insurance regulated legal entities issue funding agreements to the SPV to pay principal and interest and the SPV in turn pays the principal and interest to the holders of FABNs.

The current insurance statutory Annual Statement reporting framework does not require the reporting of FABNs. However, under the current reporting system insurers do report the amount of funding agreements issued in the aggregate for all purposes, with disclosure of funding agreements issued in connection with FHLB advances. This proposal seeks separate reporting of funding agreements that back FABNs.

The Financial Stability Task Force (FSTF) is seeking additional funding agreement disclosures to monitor the activity in the FABN market in accordance with its financial stability monitoring objectives. This proposed disclosure will provide the FSTF the ability to identify transmission channels of potential risk to and from (inward and outward risks) the insurance industry and the interconnectedness to the capital markets.

If the FSTF adopts the proposal detailed within this memorandum, a referral will be sent to the Statutory Accounting Principles (E) Working Group to incorporate a new disclosure to *SSAP No. 52—Deposit-Type Contracts* and the FSTF Chair will sponsor a blanks proposal to incorporate new footnote disclosures to Exhibit 7—Deposit-Type Contracts.

**Proposed Disclosure for SSAP No. 52—Deposit-Type Contracts**

Reporting entities shall disclose information on funding agreements issued by the reporting entity that back funding agreement backed notes (FABNs). Disclosed information shall include a general description, with information on the use of the funding. The reporting entity shall describe situations in which the funding agreement terms do not match the terms of the related FABNs and identify whether any funding agreement supports putable FABNs. Amounts of funding agreements by the structure they support (foreign currency FABNs and repurchase agreement FABNs), currency denomination, and by maturity date timeframe shall be reported.

New Potential Narrative Note 31:

For funding agreements issued as Deposit-Type Contracts, a general description on how the funding is used. For funding agreements that back any form of funding agreement backed notes (FABN), the entity shall describe situations in which the funding agreement terms do not match the terms of the related FABNs.

**Proposed Blanks Revision – Exhibit 7 Footnote:**

b) Funding Agreements Backed Note (FABN) Funding Agreement Disclosures				
1)	Foreign currency denominated funding agreements that support FXFABNs		\$	
2)	Funding agreements that support repurchase agreements (FABRs)		\$	
3)	All other funding agreements that support FABNs		\$	
			<b>Total</b>	\$
4)	Of the Total, funding agreements that support putable FABNs		\$	

(Total should reflect all funding agreements that back FABNs reported as Deposit-Type Contracts, with the amount putable a subset of the total.)

<b>Do all funding agreement terms mirror the terms of the FABNs?</b>	<b>Y/N</b>
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<b>Summary of Funding Agreements by Currency Denomination:</b>		
	Year-End Balance (USD)	Hedged (Y/N)
USD	\$	
EUR	\$	
GBP	\$	
CHF	\$	
CAD	\$	
AUD	\$	
Other	\$	
<b>Total</b>	<b>\$</b>	

(Total should Agree to Total FX Funding Agreements in Line 1 Above)

<b>Funding Agreement Maturity Buckets</b>			
	Fixed Rate	Floating Rate	Total
Remaining Years to Maturity	\$	\$	\$
Due in One Year or Less	\$	\$	\$
Due After One Year Through Five Years	\$	\$	\$
Due After Five Years Through Ten Years	\$	\$	\$
Due After Ten Years	\$	\$	\$
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

(Total should Agree to Total Funding Agreements Above)

(Include funding agreements that back zero coupon FABNs in the fixed rate column)

## **Corresponding Annual Statement Instructions:**

Below are the current instructions with proposed additions in **red text**.

### **7 Exhibit Instructions**

Line 4 – Other Net Changes in Reserves

Include: The net difference between periods when the reserve amount held differs from the accumulated account balance, including income accumulations less withdrawal and applicable surrender charges. Enter appropriate amounts from Line 0399999 of Exhibit 5A Changes in Bases of Valuation During the Year.

Increase/(Decrease) by Foreign Currency Adjustment:

Report amounts needed to adjust from the spot rate to a periodic rate. **Include foreign currency denominated funding agreements that back foreign currency denominated funding agreement backed notes in this adjustment.** Refer to *SSAP No. 23—Foreign Currency Transactions and Translations* for accounting guidance.

### **Exhibit 7 Footnote Instructions**

Footnote (b) Funding Agreement Backed Note (FABN) funding agreement disclosures

Line 1            Foreign Currency Denominated Funding Agreements

**Include: foreign currency denominated funding agreements that back foreign currency denominated funding agreement backed notes in USD.**

Line 2            Funding Agreements that support Repurchase Agreements

**Include: funding agreements that support Repurchase Agreements**

Line 3            All other Funding Agreements

**Include: all funding agreements that back funding agreement backed notes not included in lines 1, 2 or 3.**

Line 4            Funding Agreements that back funding agreement backed notes with put features

**Include: all funding agreements that back funding agreement backed notes whereby the FABN contains a put feature or embedded option that allows the holder of the note to put or redeem the note at their discretion.**

Do all Funding Agreement terms mirror the terms of the FABNs? Y/N

**Indicate Yes or No affirming the terms of all the funding agreements issued mirror or match the terms of the corresponding FABN. By terms we mean principal, interest, maturity and fixed or floating rate of interest.**

Provide an explanation if the terms of the funding agreement do not match the corresponding FABN.

**Summary of Funding Agreements by Currency Denomination**

Identify: separately the different currencies of foreign currency denominated funding agreements reported in Line 1 in USD.

**Funding Agreement Maturity Buckets**

Identify: all funding agreements that back FABNs by the specified maturity buckets identified in the table. Additionally, separately identify the funding agreements as fixed or floating interest rate. Include funding agreements that back zero coupon FABNs in the fixed rate column

### **Acronym Glossary**

FABNs-Funding Agreement Backed Notes. Sometimes referred to as FABS-Funding Agreement Backed Securities.

Putable FABNs-Funding Agreement Backed Notes with a put feature or embedded option. The put feature or option allows the holder of the note to put or redeem the note at their discretion.

FXFABNs-Foreign Currency Denominated Funding Agreement Backed Notes.

FABRs-Funding Agreement Backed Repurchase Agreements.