

Funding Agreement Backed Notes/Securities (FABNs/FABS)

*Receivership & Insolvency Task Force
April 20, 2026*

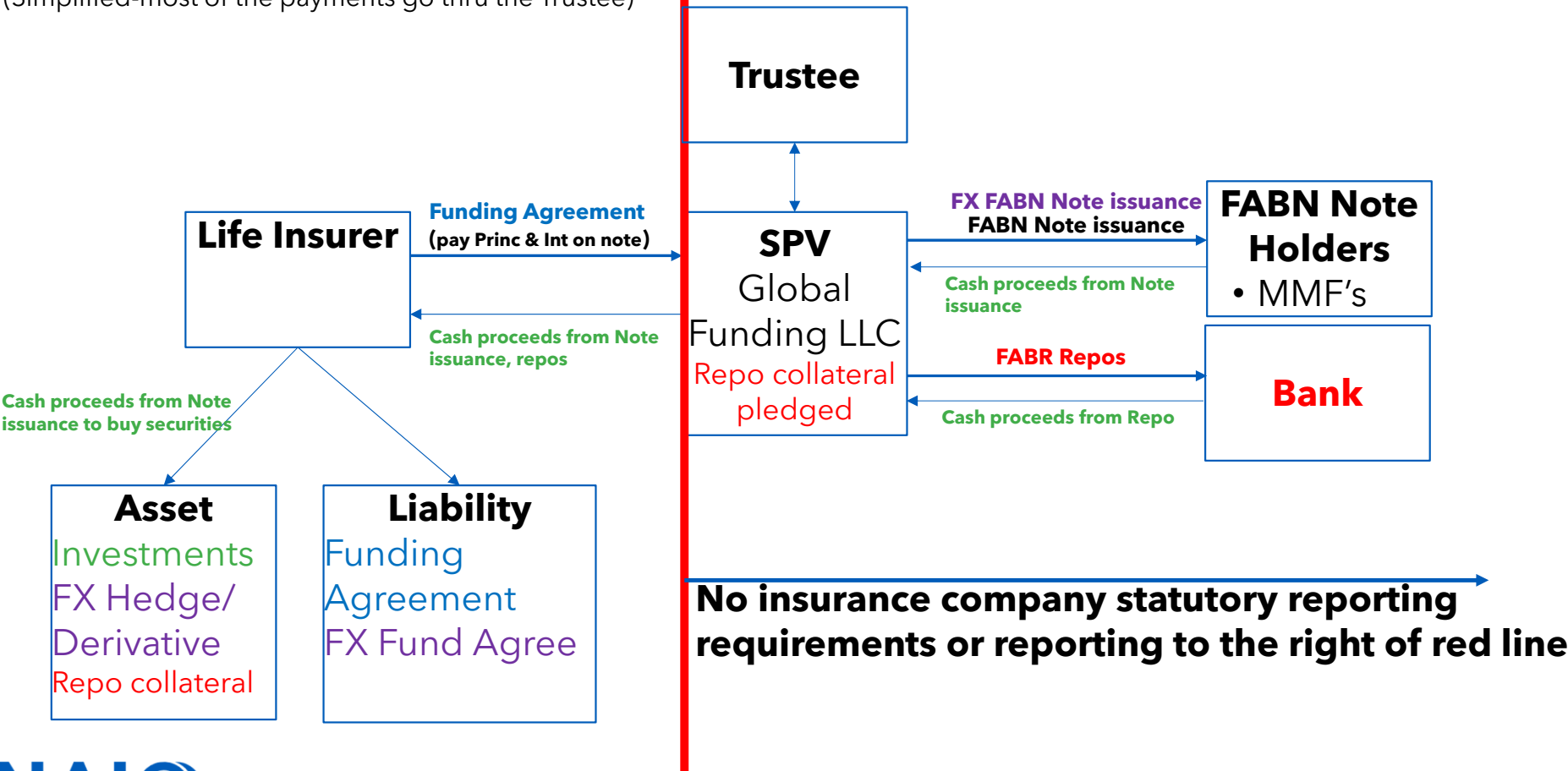
Funding Agreement Backed Notes (FABNs) Discussion

Agenda

The purpose of this ppt is to understand types of Funding Agreement Backed structures

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

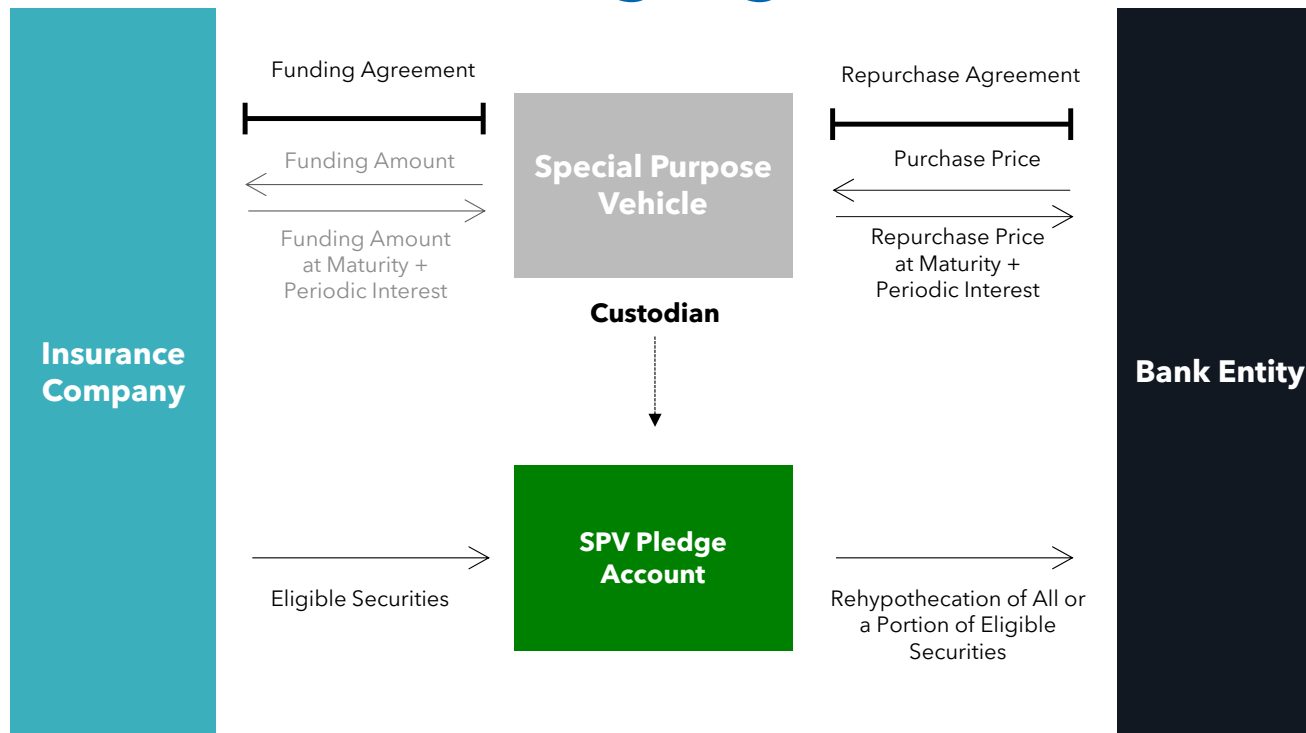
FXFABNs-Foreign currency funding agreement backed notes. Purple text in flow chart

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.

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

FABRs

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

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

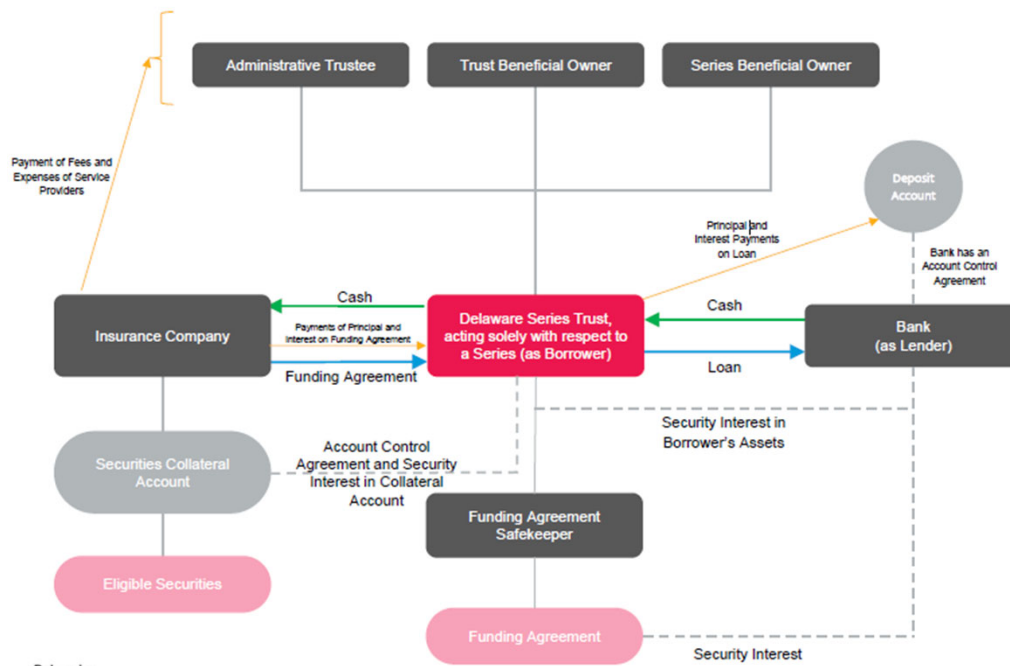
The insurer issues a funding agreement to the SPV to support the repurchase agreement. The insurer also pledges collateral for the Repos to an SPV controlled Collateral account.

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.

Funding Agreement Backed Notes (FABNs)

Funding Agreement-Backed Loan Structure Overview



Funding Agreement Backed Notes (FABNs) Discussion

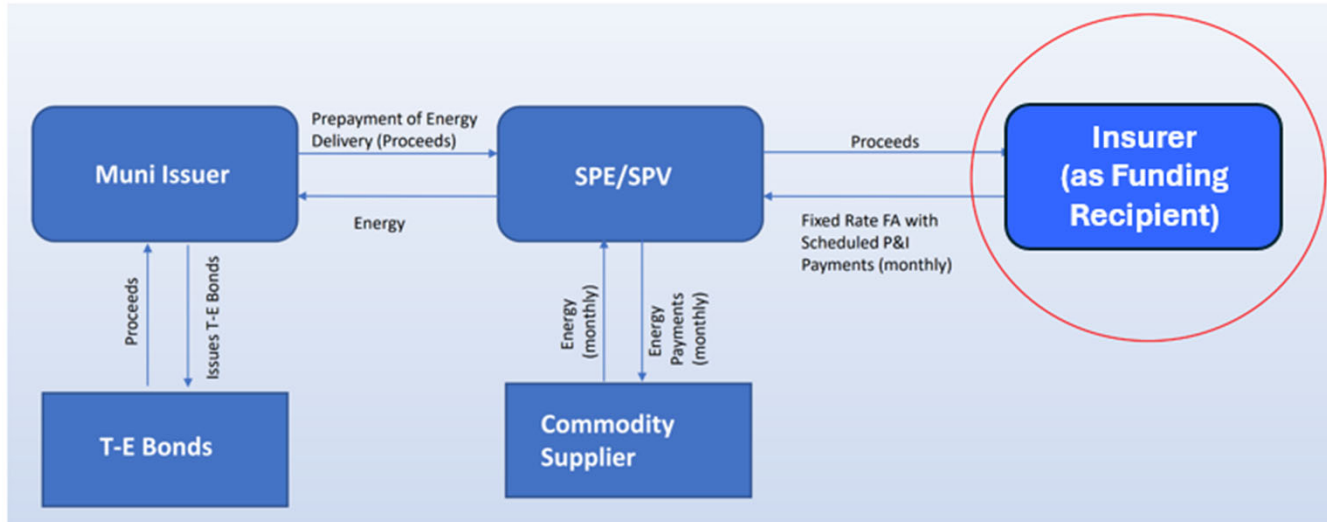
Funding Agreement Backed Loans FABLs

Funding Agreement Backed Loans (FABLs) are structured similar to FABNs, except that the SPV is not a legal entity under the ultimate parent of the Insurer. The SPV is typically a Delaware Trust formed by a bank.

Another key difference here is that the insurer pledges collateral to the SPV into a Securities collateral account.

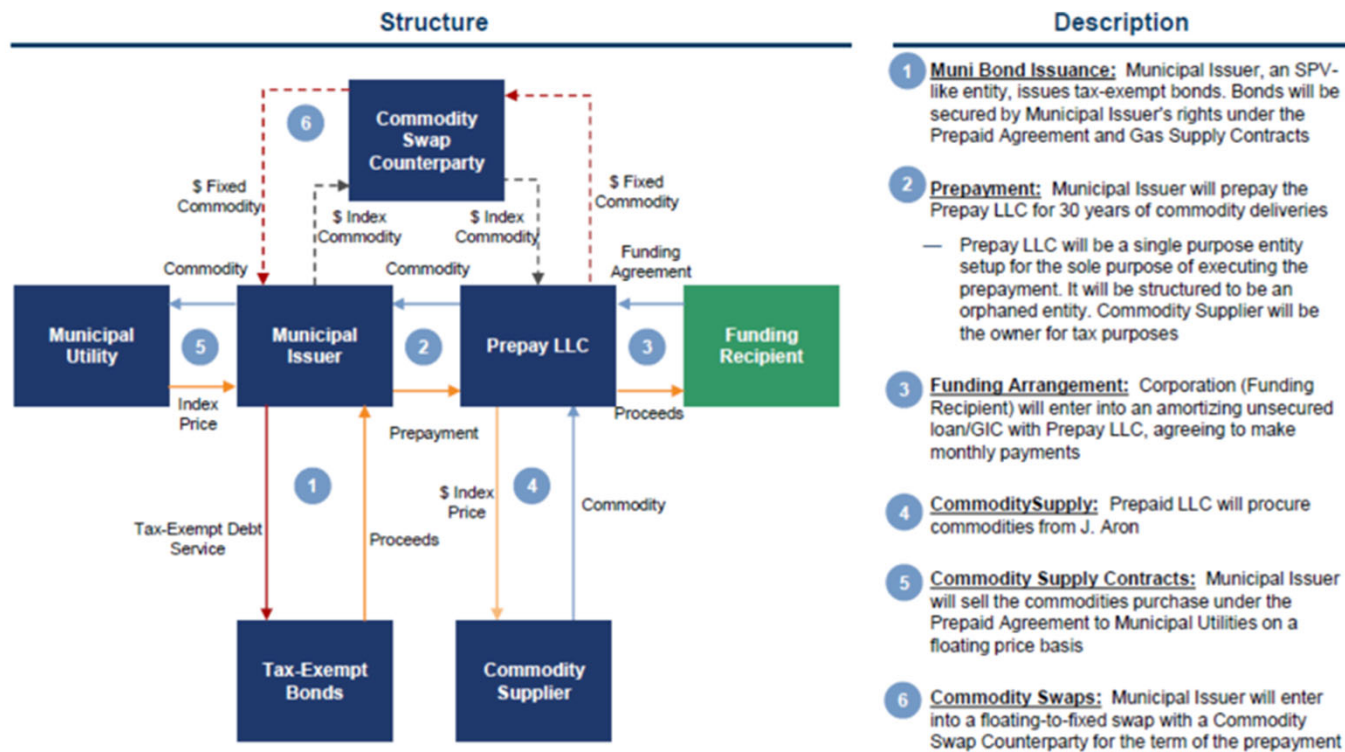
Funding Agreement Backed Notes (FABNs)

Funding Agreement Backed Municipal Pre-pay/Energy Bonds



Funding Agreement Backed Notes (FABNs)

Funding Agreement Backed Municipal Pre-pay/Energy Bonds



Funding Agreement Backed Notes (FABNs) Discussion

Funding Agreement Backed Loans FABLs

Municipal gas and electric prepayment bonds are a specialized segment of the municipal bond market that allow municipal utilities to secure a long-term, discounted supply of natural gas, typically over 20 to 30 years, by making a large lump-sum advance payment. The proceeds for this prepayment are generated by issuing tax-exempt bonds to investors.

Funding Agreement Backed Notes (FABNs) Discussion

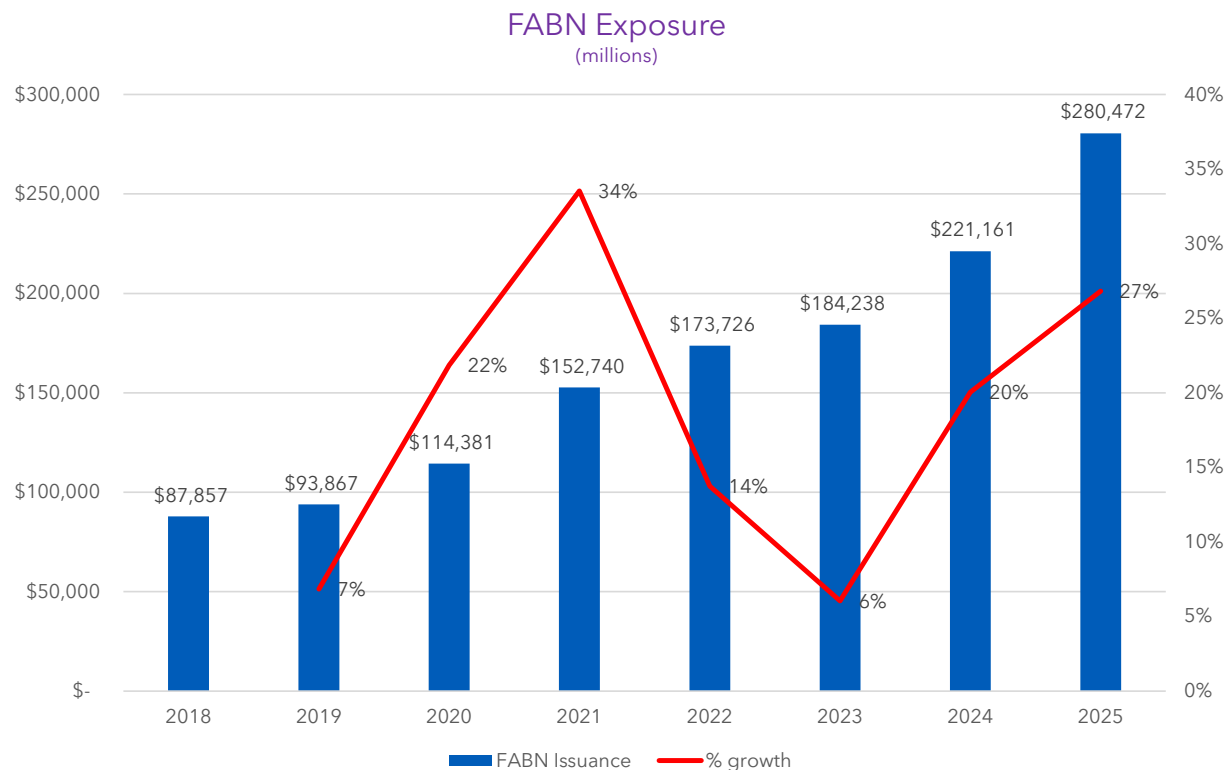
APPENDIX

Funding Agreement Backed Notes (FABNs)

We have to rely on the Fed for this data

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

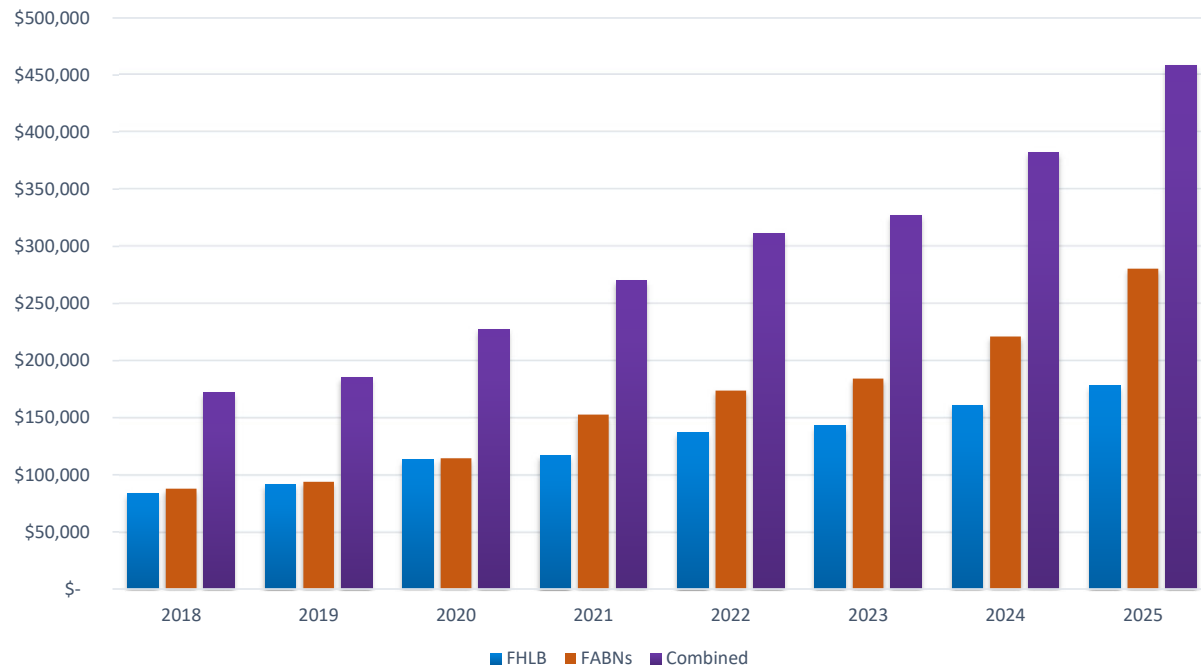
FX FABNs:
 Bloomberg \$48B
 Fed nil-\$357 Million



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

Funding Agreement Backed Notes (FABNs)

FABNs and FHLB Combined
(millions)



\$458B FABN and FHLB Combined Exposure

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

Leverage-Macro View

Aggregate Industry Exposures:

- **FHLB + FABNs = \$458 Billion as of 12/31/25**
 - **8% of Invested Assets** (Life Co's w FHLB & FABN)
 - **85% of Capital & Surplus** (Life Co's w FHLB & FABN)
 - **212% or 2.1x Cash** (Life Cash & Cash Equivalents-\$216B)

Other categories of leverage:

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