



TO: Carrie Mears, Chair, Valuation of Securities (E) Task Force  
Members of the Valuation of Securities (E) Task Force

FROM: Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)  
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)

CC: Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau

RE: P&P Manual Amendment to Make Current the List of SVO Processes

DATE: April 16, 2024

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**Summary and Recommendation:** The *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) references several processes by which the SVO identifies information, entities or securities for various lists for publication as part of its Compilation and Publication of the SVO List of Investment Securities responsibilities. We propose updating this section of the P&P Manual to remove those processes which the SVO no longer undertakes and to insert those processes which the SVO does perform but which are missing. Additionally, we propose revising the name of a list related to one of the SVO processes, the “List of Counterparties Rated by the SVO,” to the “List of Counterparties Designated by the SVO,” since the SVO produces Designations which are distinct from rating agency ratings.

The proposed text changes to the P&P Manual are shown below with additions in red underline and deletions in ~~red strikethrough~~, as it would appear in the 2023 P&P Manual.



**PART TWO**  
**OPERATIONAL AND ADMINISTRATIVE INSTRUCTIONS**  
**APPLICABLE TO THE SVO**



## COMPILATION AND PUBLICATION OF THE SVO LIST OF INVESTMENT SECURITIES

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### Directive

3. On a quarterly basis, the SVO shall:

- Compile a list of Investment Securities from each of the data files defined as VOS Process, Filing Exempt Securities Process, CLO/RMBS/CMBS Modeled Securities Process, U.S. Treasury Process and the Exempt U.S. Government Securities Process (each an SVO Sub-List bearing the name of the corresponding Process).
- Exercise best efforts to identify any security in the VOS Process that has been filed by an insurance company without a valuation and to attempt to assign that security a valuation. The SVO may use whatever methodology may seem reasonable to it and may choose not to assign a valuation if doing so would be unreasonable. The VOS/TF considers that an imprecise valuation is of greater utility to the regulatory community than no valuation. However, the NAIC makes no representation that the SVO has the necessary expertise to produce accurate valuations. Accordingly, an insurance company that owns a security to which the SVO has assigned a value under this provision may substitute the SVO assigned value by obtaining or deriving a valuation in accordance with applicable NAIC annual statement reporting instructions and by reporting the valuation obtained to its insurance department on the NAIC Statement Blank.
- Aggregate the content of each SVO Sub-List into a single SVO List of Investment Securities (hereafter, the SVO List of Investment Securities) identifying each Investment Security by name and other pertinent information and showing the NAIC Designation assigned to them by the SVO or pursuant to such other methodology or procedure specified in this Manual.
- Compile, or cause to be compiled, sub-lists from the informational content of the ~~Derivative Counterparties Designated by the SVO P~~rocess, ~~Exchange Rates P~~rocess, ~~Ex-Dividend P~~rocess, ~~Letter of Credit~~ the Qualified U.S. Financial Institutions Process, ~~Money Market and Exchange Traded~~ the Funds Process, the Credit Ratings Eligible for Translation to NAIC Designations process, the Sovereign NAIC Designation Equivalent process, and the RSAT Index process ~~and Surplus Notes P~~rocesses, and any other SVO processes mandated by this Manual (each an SVO Sub-List bearing the name of the corresponding Process and collectively the “Other Information”).
- Publish, or cause the SVO List of Investment Securities and the Other Information to be published, by being incorporated into the NAIC’s AVS+ product.

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## Administration

143. **Listing a Counterparty** – An insurance company that wants to have a counterparty listed on the List of Counterparties ~~Rated~~ Designated by the SVO for Schedule DB, Part D, Section 1 shall submit to the SVO:
- A Counterparty Rating ATF Initial Filing Form.
  - Form CRR 1.
  - Evidence of an NAIC CRP counterparty rating, an NAIC CRP senior unsecured rating or a copy of the most recent Audited Financial Statement for the counterparty, or the counterparty's guarantor, so that the SVO can assess credit quality and assign an NAIC Designation.
  - Upon receipt of the above documents, the SVO shall convert the NAIC CRP rating into its equivalent NAIC Designation or perform a financial analysis of the counterparty, or the counterparty's guarantor, in order to assign an NAIC Designation.

<https://naiconline.sharepoint.com/teams/SVOVOSTaskForce/Shared Documents/Meetings/2024/2024-05-02 VOSTF Interim Meeting/07-SVO Lists/2024-009.01 PP Manual SVOProcessesAmendmentv2.docx>