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February 8, 2012

The Honorable Ben S. Bernanke  
Chairman  
Board of Governors of the Federal Reserve System (“Board”)  
20th Street & Constitution Ave., NW  
Washington, DC 20551

The Honorable John G. Walsh  
Acting Comptroller of the Currency (“OCC”)  
Department of the Treasury  
250 E St, SW  
Mail Stop 2-3  
Washington, DC 20219

The Honorable Martin J. Gruenberg  
Acting Chairman  
Federal Deposit Insurance Corporation (“FDIC”)  
550 17th St., NW  
Washington, DC 20429

The Honorable Mary L. Schapiro  
Chairman  
Securities & Exchange Commission (“SEC”)  
100 F St., NE  
Washington, DC 20549-1090

RE: Restrictions on Proprietary Trading and Certain Interests in and Relationships with Hedge Funds and Private Equity Funds (FRS Docket No. R-1432 & RIN 7100 AD 82; OCC Docket ID OCC-2011-14; FDIC RIN 3064-AD 85; SEC File Number S7-41-11).

Dear Sirs and Madam:

The Association for Advanced Life Underwriting (“the AALU”) appreciates the opportunity to provide these comments on rules proposed by the OCC, FDIC, Board and SEC (referred to hereinafter as “the Agencies”) to provide guidance on restrictions and permitted activities applying provisions of the Dodd-Frank Act of 2010 applicable to banking entities regarding proprietary trading and certain interests in and relationships with hedge funds and private equity funds.

The AALU is a nation-wide organization of approximately 2,300 life insurance agents and professionals who are primarily engaged in sales of life insurance used as part of estate, charitable, retirement, and deferred compensation and employment benefit services. Many of our members assist banking entities which commonly utilize life insurance as a financing or cost-recovery vehicle for employee benefits.

The AALU commends the Agencies for providing clarification regarding certain investments in bank owned life insurance (“BOLI”) separate accounts in Section \_\_.14 of the Agencies’ proposed rules, “Covered fund activities and investments determined to be permissible.” While noting that certain BOLI separate accounts fall within the definition of “hedge fund” or “private equity fund, that section of the Agencies’ proposed rules make it very clear it is permissible for banking entities to acquire or retain an ownership interest in or sponsor such BOLI separate accounts if conditions are met to ensure that such activity promotes the safety and soundness of the banking entities and the financial stability of the United States.

The AALU believes conditions established by the Agencies’ proposed rules are a rigorous, prudent means to ensure that permissible BOLI separate accounts promote the safety and soundness of the banking entities. Such conditions require that the banking entity that purchases the BOLI policy:

- (i) may not control the investment decisions regarding the underlying assets or holdings of the separate account; and
- (ii) must hold its ownership interests in the separate account in compliance with applicable supervisory guidance provided by the appropriate Federal regulatory agency regarding BOLI.

Existing interagency guidance cited in the proposed rule imposes extensive requirements and oversight, including thorough pre-purchase and ongoing analysis and monitoring, taking into account a variety of considerations, risks, and alternatives.<sup>1</sup>

It is the AALU’s strong view that the Agencies have cited compelling reasons for the clarification contained in the rules they have proposed. For example, the proposed rules point out that “when made in the normal course,” BOLI “investments do not involve the speculative risk intended to be addressed” by provisions of the Dodd-Frank legislation. In addition, the proposed rules point out that BOLI “helps banking agencies reduce the cost of providing employee benefits as well as other costs.”

The AALU provided detailed comments to the Financial Stability Oversight Counsel<sup>2</sup> urging federal agency clarification which has now been provided in the Agencies’ proposed rule for reasons which are very consistent with those set forth by the Agencies.

We commend the Agencies for providing clarification with respect to BOLI, and strongly urge that any final rule that may be adopted affirms this clarification as currently proposed. Finally, while the AALU is not providing specific comments on various other issues raised in the letter filed by the American Council of Life Insurers on January 24, 2012, we appreciate the Agencies’ thoughtful consideration of such matters.

Sincerely,



David J. Stertzer  
Chief Executive Officer

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<sup>1</sup> See, e.g., Bank Owned Life Insurance, Interagency Statement on the Purchase and Risk Management of Life Insurance (“Interagency BOLI Guidance”) (Dec. 7, 2004).

<sup>2</sup> Available at <http://www.regulations.gov/#!documentDetail;D=FSOC-2010-0002-1184> .