



Robert P. Saltzman
President and
Chief Executive Officer

33

Ellen Seidman, Director
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552

Manager,
Dissemination Branch
Information Management and Services Division
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552

RECEIVED
2001 FEB -9 P 12:04
INFORMATION SERVICES
DIVISION

Attention Docket No. 2000-91

Re: Comment on Notice of Proposed Rule Regarding Savings and Loan
Holding Companies Notice of Significant Transactions or Activities and
OTS Review of Capital Adequacy

Dear Ms. Seidman:

Jackson National Life Insurance Company ("JNL") thanks you for the opportunity to submit this comment with respect to the proposed rule published by the Office of Thrift Supervision ("OTS") in the Federal Register on October 27, 2000, 65 Fed. Reg. 64392, and for which the comment deadline was extended until February 9, 2001 by notice dated December 12, 2000, 65 Fed. Reg. 77528. The rule requires prior notice to and approval from OTS before a covered holding company can enter into certain transactions that increase its debt by 5%, increase its assets by 15%, or decrease its consolidated tangible capital by 10%.

JNL is a large financial services company which is an indirect owner of a federal savings bank. JNL would be exempt under the proposed regulation, but its direct subsidiary is a direct holding company and would be subject to the rule (unless a change is made to exempt holding companies ultimately owned by an exempt company).

JNL asks that the proposed rule not be adopted.

1 Corporate Way
Lansing, MI 48951
Phone 517/702-2444
Fax 517/702-2445
e-mail: bob.saltzman@jnli.com

Such notices would produce information that is redundant in light of other information already collected by or easily available to the OTS, is not needed by the OTS to perform its functions, and is completely inconsistent with the OTS' prior statements of supervisory philosophy. Moreover, the burden imposed by the proposed rule, both in terms of expense and in terms of lost opportunities is far more than the NPRM estimates.

Rule Produces Abundant Information, Minuscule Prevention

The NPRM does not identify any new kinds of transactions between the thrift and its holding company that are problematic and that are not prohibited by current law. Rather, this notice requirement is imposed simply to provide OTS with advance information about transactions that might weaken the holding company to the point that there might be an increased risk that the holding company would abuse its relationship with the thrift.

The OTS already has tools to address such abuses, however. Congress has given OTS very meaningful tools to prevent holding company abuses in Sections 23 A&B of the Federal Reserve Act, implemented for thrifts at 12 CFR 563. These statutes preclude a thrift from entering into covered transactions with its holding company affiliates, and require that any transaction between a thrift and its holding company or affiliate be conducted on terms that are as beneficial to the thrift as if the thrift had entered into the transaction with a third party.

The OTS also already receives sufficient information to predict situations where such abuses could occur. Every thrift holding company is required to submit to the OTS a substantial amount of financial information on a quarterly basis in the form H-(b)11 filing. Every 90 days, therefore, OTS obtains sufficient information to develop a perception of whether a holding company is undergoing such financial strain that it might become inclined to violate these laws and become a threat to its thrift subsidiary.

If the OTS devotes resources to evaluating the financial data already submitted by each holding company, it should be able to identify holding companies whose finances are weakening. If a holding company is identified by the OTS as a potential threat to its thrift subsidiary, the OTS has substantial supervisory resources that it can employ to maintain a close watch on that holding company and its interactions with its thrift subsidiaries, including targeted narrow-purpose examinations.

The threat to thrifts the NPRM suggests is presented by greater integration is illusory in light of the Section 23 A&B constraints. The principal way that greater integration affects most thrift subsidiaries is to make them stronger by providing the thrift with services and access to expertise and other resources at a cost savings over what the thrift itself could have obtained in the open market. The OTS has never before objected to a holding company providing ongoing support to a thrift on the theory that it might undermine the thrift's "franchise value."

On the record articulated in the NPRM, therefore, there does not appear to be a threat to the industry that would warrant such a stringent restriction on the ability of thrift holding companies to engage in these ordinary business transactions.

JNL instead recommends that OTS concentrate on identifying those sorts of transactions that could benefit the holding company to the detriment of the thrift and focus its efforts, as it has in the past, on ensuring that thrifts decline to enter into such transactions.

Rule Contrary To Supervisory Philosophy Underpinning GLB

JNL believes but asks OTS to clarify that OTS is not seeking a wider supervisory role with respect to thrift holding companies. After enactment of the Gramm-Leach-Bliley Act (“GLB”), the attraction of the thrift charter depends heavily on the manner in which OTS manages its supervision of holding companies. Many of the advantages of the thrift charter were debated during the consideration of GLB – early drafts of GLB required all thrifts to convert to banks and all non-financial thrift holding companies to divest their thrift holdings. Those initiatives failed and ultimately many of the trade-offs that make the thrift holding company structure an attractive alternative to a financial holding company were preserved. The low level of interference in the affairs of holding companies that the OTS historically found to be appropriate was specifically discussed and allowed to continue. The burdens that would be imposed by this rule run well contrary to the expectations created by those discussions.

The proposed rule also runs contrary to the increased emphasis on functional regulation contemplated by GLB. Under GLB, the OTS is the primary regulator of thrifts but is expected to leave supervision of regulated holding companies and affiliates of the thrift to their primary regulators – such as the SEC or state insurance commissioners. Under the NPRM, the OTS interferes in the supervisory areas of the primary regulators by requiring information, notices, and filings that the primary regulators do not require. Instead of leaving regulation of the holding companies and their affiliates to the appropriate functional regulators and relying on the reports otherwise produced by and for those regulators, the OTS proposes to add an additional layer of information. This is not functional regulation.

Rule Is Too Burdensome

The proposed regulation underestimates the paperwork and reporting burden that it would impose on thrifts and their holding companies. Holding companies will, in fact, need to devote significant resources to identifying which transactions throughout the holding company, especially in the aggregate over the course of a year, would be covered by the regulation. Once one transaction puts a holding company over the threshold, moreover, every subsequent transaction for the next 12 months, no matter how insignificant, would require pre-approval by the OTS. The burden of this requirement is incalculable. Preparing notices that provide adequate explanations to obtain rapid review and approval will take substantial resources; for many transactions, the holding companies will need to retain counsel solely to comply with this regulation. Depending on the nature and size of a transaction, compliance with this regulation could consume dozens of hours and tens of thousands of dollars in legal fees and other costs.

This proposal would add substantially to the volume of notices processed by OTS staff. Before imposing a new notice and approval scheme such as this, JNL urges the OTS to

evaluate its own record of processing notices and calculate the real delay that such a requirement will impose and how that delay will undermine the competitiveness of thrift holding companies.

In closing, JNL urges the OTS not to pursue further the promulgation of this proposed rule. There does not appear to be any substantial need for the imposition of these burdens, nor has the OTS given sufficient consideration to the availability of alternative existing means to address the concerns that have been articulated. The burdens this rule would impose are far more substantial, both in terms of expense and in terms of lost opportunities in a very competitive business environment, than the NPRM reflects.

Thank you again for providing this opportunity to comment on this important matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert P. Saltzman", with a long horizontal flourish extending to the right.

Robert P. Saltzman
President and Chief Executive Officer
Jackson National Life