

From: Knutson, David [mailto:David.Knutson@lgima.com]
Sent: Wednesday, November 17, 2010 6:28 PM
To: Comments
Cc: Bender, John; Zinkula, Mark; Meyers, Thomas; Hiebert, Bob; Knutson, David
Subject: Proposed Rule - Oct. 19, 2010 - Orderly Liquidation

Federal Deposit Insurance Corporation
Attn: Robert E. Feldman
Executive Secretary
550 17th Street, NW
Washington, D.C. 20429

Dear Mr. Feldman;

Thank you for the opportunity to comment on the Notice of Proposed Rulemaking Implementing Certain Orderly Liquidation Provisions of the Dodd-Frank Act (the "Notice"). Legal and General Investment Management America ("LGIMA") is a SEC-registered investment advisor located in Chicago, Illinois. I have the following concerns;

1. Treatment of Similarly Situated Creditors
2. Valuation of Collateral at Par
3. Receivership versus Chapter 7

Treatment of Similarly Situated Creditors

Section 210(b)(4) of the Dodd-Frank Act ("Act") gives the FDIC substantial discretion in order to minimize losses upon taking a company into receivership. My concern relates to Sections 210(d)(4) and (h)(5)(E) of the Act as it relates to "additional payments". Section 380.2 of the Proposed Rule states that subordinated debt holders and long-term senior debt holders will never receive more than others in their respective classes. However, in the memorandum accompanying the Proposed Rule, short term holders of senior debt, with maturities less than 365 days, may receive additional payments potentially at the expenses of longer term holders.

This will create distortions and increase risks in the bond market as participants and potentially the rating agencies make a distinction based solely on maturity. Not only will longer term capital become more expensive, the Proposed Rule may precipitate the flight of long term debt exacerbating the funding of a troubled institution.

Sections 210(b)(4), 210(d)(4) and 210 (h)(5)(E) should limit the scope of additional payments to essential services related to the operations of the receivership or bridge financial company.

Valuation of Collateral at Par

Section 380.2(c) of the Proposed Rules requiring par valuation of U.S. Treasury or other government securities may have the unintended consequence of distorting the secured lending markets by reducing the price of premium priced collateral and increasing the price of collateral trading at a discount to par due to coupon and prevailing interest rates. Collateral should be priced at its fair market value upon receivership.

Receivership versus Chapter 7

The Act requires all creditors of a class to receive no less than what they would have received in Chapter 7 liquidation. Providing information regarding valuation parameters and priorities for particular creditor classes, including senior and subordinated holding company debt as well as senior and subordinated bank debt will improve the existing framework and ensure a balanced treatment of creditors in line with expectation under established insolvency rules.

Sincerely,
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