



April 29, 2010

The Honorable Christopher J. Dodd  
Chairman  
U.S. Senate Committee on Banking, Housing & Urban Affairs  
448 Russell Office Building  
Washington, DC 20510

The Honorable Richard C. Shelby  
Ranking Member  
U.S. Senate Committee on Banking, Housing & Urban Affairs  
304 Russell Office Building  
Washington, DC 20510

Dear Chairman Dodd and Ranking Member Shelby:

On behalf of the State of Wisconsin Investment Board (SWIB), I want to express SWIB's support for the general financial reform provisions of the proposed Restoring American Financial Stability Act of 2010 ("RAFSA"). The recent financial crisis made clear the critical importance of establishing a way to deal with very large, troubled financial institutions quickly, efficiently and in an orderly manner. Title II of RAFSA goes a long way toward meeting that goal.

As with any complex legislation, however, the devil is in the details. The detail in RAFSA that is of particular concern to SWIB appears in secs. 210 (a)(7), (b)(4), (d)(4) and (h)(5)(E) of Title II, all of which authorize the Federal Deposit Insurance Corporation (FDIC), under certain circumstances, to treat similarly situated creditors differently, so long as none of them receive less than the amount they would receive if Chapter 7 of the federal Bankruptcy Code (or similar insolvency provisions) applied. Thus, the FDIC could award one senior unsecured creditor a generous percentage of its claim while another senior unsecured creditor, within the same class of priority, received nothing if that is what Chapter 7 would have provided.

The RAFSA does provide that the FDIC shall ensure that shareholders and unsecured creditors bear losses consistent with the priority of claims established in Section 210(b)." (See RAFSA, Title II, secs. 206(3) and 210(a)(1)(M).) That general principle is consistent with the protections provided to unsecured creditors by the federal Bankruptcy Code. The exception in the RAFSA, however, allows the FDIC to disregard the standard priority of claims and will create uncertainty about creditors' rights. That uncertainty could raise the level of interest rates financial institutions will have to pay to

attract unsecured lenders and could also increase market volatility. We ask that sec. 210(a)(7) be modified, that the exception in secs. 210(b)(4) and 210(h)(5)(E) be deleted, and that the entire sec. 201(d)(4) be deleted from the RAFSA, all in order to provide certainty that creditors will be treated equitably with other creditors in the same class of priority during the liquidation of a covered financial company.

Very truly yours,



Keith Bozarth  
Executive Director

cc: The Honorable Herb Kohl  
The Honorable Russ Feingold  
The Honorable Timothy F. Geithner, Secretary of the Treasury  
The Honorable Sheila C. Bair, Chair, Federal Deposit Insurance Corporation  
Members of the Senate Banking Committee