



September 6, 2020

Charles A. Therriault
Director – Securities Valuation Office
National Association of Insurance Commissioners
Capital Markets & Investment Analysis Office
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via electronic submission: CTherriault@naic.org and DGenarosado@naic.org

RE: Proposed Amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (“P&P Manual”) to Add Instructions for the ETFs that Contain a Combination of Preferred Stocks and Bonds

Dear Director Therriault,

We would like to thank the Valuation of Securities (E) Task Force and the Securities Valuation Office (“SVO”) for this opportunity to offer our comments and observations regarding the proposed amendment to the P&P Manual to add instructions for ETFs that contain a combination of preferred stocks and bonds.

State Street Global Advisors¹, BlackRock², and Invesco³ are supportive of the Proposed Amendment to the P&P Manual. In some instances, bonds with certain characteristics of preferred stocks, such as a \$25 par price or a 30 year or greater maturity, may be eligible for inclusion in a preferred ETF’s portfolio. The SVO should not be restricted from reviewing ETFs that hold a portfolio that includes preferred stocks and bonds, given the similar structural features, risk characteristics, and capital structure seniority between preferred securities and the

¹ For four decades, State Street Global Advisors has served the world’s governments, institutions and financial advisors. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world’s third-largest asset manager with US \$3.05 trillion under our care as of June 30, 2020.

² BlackRock is one of the world’s leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed-income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers, and other financial institutions, as well as individuals around the world. As of June 30, 2020, the firm managed approximately \$7.32 trillion in assets on behalf of investors worldwide.

³ Invesco is a global independent investment management firm dedicated to delivering an investment experience that helps people get more out of life. Our 13 distinctive investment teams deliver a comprehensive range of active, passive and alternative investment capabilities. With offices in 25 countries, Invesco managed \$1.1 trillion in assets on behalf of clients worldwide as of June 30, 2020.

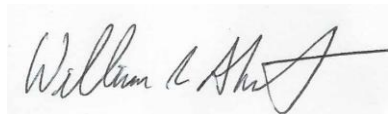
bonds included in such portfolios. From a policy perspective, we believe that the mere inclusion of such securities should not preclude an ETF from being given an SVO classification or NAIC designation.

Furthermore, we endorse the measured approach of assigning such portfolios that include both preferred stocks and bonds to the Preferred Stock ETF List, not the Bond ETF List.

We believe that accessing preferred stocks via the ETF wrapper can provide significant benefits to insurers, including transparency of holdings, intraday liquidity, and operationally efficient diversification of holdings. When eligible for an appropriate NAIC designation, these preferred ETFs can be valuable tools in the portfolio and risk management processes within insurers' portfolios. State Street Global Advisors, BlackRock, and Invesco are committed to working with the insurance industry, including regulators, other ETF providers, and vendors, to ensure that insurers have access to preferred stock ETFs.

We appreciate the opportunity to share our perspective. If you have any questions, please do not hesitate to contact Bill Ahmuty at William_Ahmuty@ssga.com; Josh Penzner at Joshua.Penzner@blackrock.com; and Eric Pollackov at Eric.Pollackov@invesco.com.

Respectfully submitted,



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