

June 12, 2009

Eligibility of U.S. Subsidiaries and Branches of Foreign Banks to Participate in U.S. Stabilization Programs

Program	Description	Eligibility
Capital Purchase Program (CPP)	Treasury is making up to \$250B of senior preferred investments in banking institutions on standardized terms.	The CPP program guidelines exclude U.S. subsidiaries and U.S. branches of foreign banks. Treasury has confirmed that foreign-owned U.S. banks are ineligible, although Treasury has statutory authority to include U.S. subsidiaries that are not owned by a foreign government.
Capital Assistance Program (CAP)	Treasury conducted mandatory “stress-tests” on banking institutions with assets in excess of \$100B. Ten banking institutions determined to need an additional capital buffer were required to raise capital privately or accept further Treasury investment. Banking institutions with assets below \$100B may still participate in the program on a voluntary basis.	U.S. subsidiaries and U.S. branches of foreign banks are not eligible. No institution controlled by a foreign bank or company is qualified to participate in the CAP.
Legacy Securities Program	Treasury will make up to a 50% equity investment in Public-Private Investment Funds (“PPIFs”) that will purchase certain non-agency residential mortgage backed securities, commercial mortgage backed securities, and asset backed securities. The remainder of the equity in a PPIF will come from private sources. The Treasury will lend funds to a PPIF equal to 50% of the PPIF’s total equity, or up to 100% of total equity on a case-by-case basis.	U.S. subsidiaries and U.S. branches of foreign banks appear to be eligible to sell legacy securities to a PPIF and to participate as equity investors in the PPIFs.

Program	Description	Eligibility
Legacy Loans Program	Treasury will make up to a 50% equity investment in PPIFs that will purchase “legacy assets” of participating banking institutions (expected to focus initially on residential and commercial real estate loans). The remainder of the equity in a PPIF will come from private sources. The Federal Deposit Insurance Corporation (“FDIC”) will guarantee the debt of a PPIF, which will be allowed to finance purchases at up to a 6:1 debt-to-equity ratio with FDIC approval.	<p>Unclear whether U.S. subsidiaries and U.S. branches of foreign banks will be eligible to sell legacy loans to a PPIF. The initially released term sheet indicated that no institution controlled by a foreign bank or company is qualified to participate in the Legacy Loans Program as a selling bank, but questions and concerns regarding this exclusion have been raised with the FDIC.</p> <p>U.S. subsidiaries and U.S. branches of foreign banks appear to be eligible to participate as equity investors in the PPIFs.</p> <p>On June 3, the Legacy Loans Program was indefinitely postponed. It is uncertain if the Program will proceed.</p>
Term Asset-Backed Securities Loan Facility (TALF)	The Federal Reserve will make up to \$200B of non-recourse loans secured by CMBS and ABS backed by eligible consumer and small business loans to U.S.-domiciled obligors. The loans will have a three-year or a five-year term.	<p>U.S. FDIC-insured subsidiaries and U.S. branches of foreign banks that maintain reserves with a Federal Reserve Bank (other than a foreign central bank) are eligible. Other U.S. subsidiaries of foreign banks are eligible if they conduct significant operations or activities in the U.S. and so long as they are not controlled by a foreign government. There appear to be no restrictions on the participation of U.S. subsidiaries or U.S. branches of foreign banks as sponsors.</p> <p>Executive compensation restrictions are not applied to TALF sponsors or borrowers as a result of their participation in the TALF.</p> <p>The Employ American Workers Act (“EAWA”) applies to all borrowers under the TALF. EAWA applies certain requirements related to hiring new employees who are in H1-B nonimmigrant status.</p>

Program	Description	Eligibility
Temporary Liquidity Guarantee Program (TLGP) — Debt Guarantee Program	The FDIC will guarantee, through the earlier of Dec. 31, 2012 or maturity, certain senior unsecured debt of participating institutions with a maturity greater than 30 days issued on or prior to Oct. 31, 2009. The fee for the optional program will be tiered from 50 to 100bps annually based on maturity (surcharges will apply for debt with a maturity of at least one year issued on or after Apr. 1, 2009, based upon the type of issuer, maturity and the date of issuance). The guarantee is capped per institution at 125% of all of its senior unsecured debt outstanding as of Sept. 30, 2008 that is scheduled to mature on or before June 30, 2009.	<p>U.S. bank and bank holding company subsidiaries of foreign banks are eligible; U.S. branches of foreign banks are ineligible, whether or not FDIC-insured.</p> <p>The FDIC has confirmed that U.S. dollar-denominated deposits owed to U.S. branches or agencies of non-U.S. banks are covered under the program regardless of whether the U.S. office is FDIC-insured, but those owed to Edge corporations are not covered.</p>
TLGP—Transaction Account Guarantee Program	The FDIC will provide unlimited insurance for non-interest bearing transaction accounts and certain NOW accounts through Dec. 31, 2009, as part of an optional program costing participants 10bps annually.	FDIC-insured U.S. subsidiaries and the 11 grandfathered, FDIC-insured U.S. branches of foreign banks are eligible; other U.S. branches of foreign banks are not FDIC-insured and thus are ineligible.
Deposit Insurance Increase	The Emergency Economic Stabilization Act temporarily raised the basic limit on federal deposit insurance coverage to \$250,000 through Dec. 31, 2009.	FDIC-insured U.S. subsidiaries and the 11 grandfathered, FDIC-insured U.S. branches of foreign banks are eligible; other U.S. branches of foreign banks are not FDIC-insured and thus are ineligible.
Systemically Significant Failing Institutions (SSFI) Program	Treasury is authorized to purchase assets directly from a financial institution, including securities or obligations issued by the institution. Participating institutions must provide Treasury with warrants or alternative consideration and will be subject to executive compensation limits and possibly other corporate governance requirements.	AIG was the first firm to receive assistance under this program with a \$40B purchase of senior preferred stock on Nov. 12, 2008. It remains unclear whether and how the Treasury will use this program to aid other firms, but it is unlikely U.S. subsidiaries or branches of foreign banks will be beneficiaries.

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Targeted Investment Program (TIP)	Treasury is authorized to purchase assets directly from a financial institution, including securities or obligations issued by the institution. Participating institutions must provide Treasury with warrants or alternative consideration and will be subject to executive compensation limits and possibly other corporate governance requirements.	The TIP was announced Jan. 5, 2009 and identified as the program under which the Nov. 23, 2008 Citigroup investment and the Jan. 16, 2009 Bank of America investment were made. The eligibility and participation terms are virtually identical to those for the SSFI. It remains unclear whether and how the Treasury will use this program to aid other firms, but it is unlikely U.S. subsidiaries or branches of foreign banks will be beneficiaries.
Commercial Paper Funding Facility (CPFF)	The Federal Reserve will finance purchases of eligible 3-month unsecured and asset-backed commercial paper of U.S. issuers through a special purpose vehicle.	Both U.S. subsidiaries and U.S. branches of foreign banks are eligible. The U.S. subsidiary or branch may not sell commercial paper issued by non-U.S. offices or affiliates to the SPV.
Asset Purchase Program (APP)	Treasury is authorized to engage in reverse auction and other market purchases of troubled assets, although it has indicated that it does not expect to pursue such a program at this time.	Both U.S. subsidiaries and U.S. branches of foreign banks are eligible if they have “significant operations” in the U.S. and are not “owned” by a foreign government. What constitutes “ownership” has not yet been defined.
Asset Guarantee Program (AGP)	Treasury is authorized to provide guarantees of certain troubled assets held by systemically significant U.S. financial institutions that face a high risk of losing market confidence due to a portfolio of distressed or illiquid assets.	Treasury is using the AGP to implement the guarantee provisions of the Citigroup assistance package announced on Nov. 23, 2008 and the Bank of America assistance package announced on Jan. 16, 2009. It is not anticipated that the AGP will be made widely available. It remains unclear whether and how the Treasury will use this program to aid other firms, but it is unlikely U.S. subsidiaries or branches of foreign banks will be beneficiaries.