

Settlement Procedures on FDIC-Guaranteed Commercial Paper

Based on a Memorandum of Understanding entered into on April 9, 2009, the Federal Deposit Insurance Corporation (FDIC), Depository Trust Company (DTC), Federal Reserve Bank of New York (FRBNY), and the U.S. Treasury (UST) have established the following process to complete same-day settlement on commercial paper guaranteed under the FDIC's Temporary Liquidity Guarantee Program (TLGP):

- (1) When an Issuing and Paying Agent (IPA) notifies DTC of its refusal to pay for maturing commercial paper guaranteed under the TLGP, DTC Settlement Operations notifies the FDIC, UST, and FRBNY of the refusal.
- (2) Acting on standing instructions, DTC would (i) move the commercial paper instruments from the IPA account to a special account of FRBNY at DTC (for holding instruments on behalf of FDIC), and (ii) debit the FRBNY account for the full amount of the maturing instruments. FRBNY will move sufficient final funds to its account at DTC prior to DTC end-of-day cash settlement. DTC will maintain a zero net debit cap on the FRBNY account.
- (3) The UST will ensure that sufficient funds are available in UST's Treasury General Account at FRBNY to cover payment in connection with the FDIC's guarantee of commercial paper. Upon notification by DTC, UST will authorize FRBNY to transfer funds (same-day) from the UST's Treasury General Account to the FRBNY account with DTC (on behalf of the FDIC).
- (4) On a day on which an IPA notifies DTC of a refusal to pay, all FDIC-guaranteed commercial paper of that issuer maturing that day, with respect to notices sent by the IPA and received by DTC, will be paid as scheduled through this process. All future maturities of a given issuer that were in place prior to the default of guaranteed commercial paper will continue to be subject to the FDIC guarantee and subject to the payment process described above, as appropriate on future maturity dates.
- (5) Following the completion of these procedures, the authorized representative of commercial paper holders will need to submit (i) a claim form relating to the defaulted commercial paper, and (ii) an assignment of the claims of the debtholders against the issuer to the FDIC pursuant to the relevant Master Agreement, in both cases in form satisfactory to the FDIC and as soon as possible after payment is made.