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Federal Deposit Insurance Corporation

550 17th Street, NW, Washington, DC 20429-9990

Legal Division

January 31, 2017

John Greenewald


RE: FDIC FOIA Request Log Numbers 17-0124

Dear Mr. Greenewald:

This letter is our final response to your January 20, 2017 Freedom of Information Act (FOIA) request for a copy of "the DRR Capital Markets Policies and Procedures Manual [(Manual)]."

In my January 31, 2017 email, I invited you to amend your request to be for the Manual, as disclosed in part, in response to an earlier FOIA request. If you did so, your amended request would be granted; in such event, you would not have the right to administratively appeal any of the withholdings. In your January 31, 2017 reply, you agreed to amend your request to be for the Manual, as earlier disclosed in part.

We are granting your amended request. I have enclosed a copy of the Manual, as earlier disclosed in part (129 pages).

This completes the processing of your request.

In accord with your January 30, 2017 email, for fee purposes, your request was categorized to be for other than commercial use. Therefore, you were entitled to two hours of free search time and to one hundred pages of free duplication, but would be responsible for other all search and duplication costs. However, costs under \$10.00 are not assessed. Since the billable costs were less than \$10.00, this request has been processed at no cost to you.

You may contact me at jsussman@fdic.gov or 703-562-2039 or our FOIA Public Liaison, Acting FDIC Ombudsman Gordon Talbot at GTalbot@fdic.gov or 703-562-6046, for any further assistance and to discuss any aspect of your request.

Sincerely,

/signed/

Jerry Sussman, Senior FOIA Specialist
FOIA/Privacy Act Group

Enclosure:
Records (129 pages).

Federal Deposit Insurance Corporation
DIVISION OF RESOLUTIONS AND RECEIVERSHIPS

CAPITAL MARKETS

Policies and Procedures Manual

Revised November 18, 2011

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I. POLICY STATEMENT

Capital Markets is responsible for the management and disposition of securities, syndicated loans, syndicated limited partnerships, and Qualified Financial Contracts. A Capital Markets Functional Manager shall be assigned, in advance, to each failing institution. That specialist has the responsibility to identify the appropriate assets, remove any liens or encumbrances, inform the appropriate Capital Markets sales team, and make sure that the assets are managed properly until such time as sold, all subject to the appropriate delegated authority.

II. GLOSSARY OF KEY TERMS

4C – Integrated, end-to-end web-based application that provides full functionality to support franchise marketing, asset marketing and asset management manage the full inventory of Receivership assets.

BACU (Bank Account Control Unit) - Section within BOS which monitors the FDIC's bank accounts with the FHLB's and FRB's including the stock holdings.

BIS (Business Information Systems) – Section of DRR in Dallas which handles the data such as loan tapes from a closing. Responsible for setting up new inventory in 4C by uploading templates. They also process Enrichment Feeds, which is an MS Excel file prepared to mass update some fields in 4C.

Bloomberg – Third-party software used by the FDIC to research securities. Includes information about market pricing and principal and interest payments.

BPMS (Business Program Management System) – Section in DRR which oversees the IT needs of DRR, such as constructing the 4C database, and administering FACTS software.

BOS (Business Operations Support) – Section of DRR in Dallas, responsible for the FDIC's accounting at the Receivership level.

Capital Markets Functional Manager (CMFM) – Is responsible for providing advice and exercising Capital Markets authority and responsibility over securities, syndicated loans, syndicated limited partnerships, and Qualified Financial Contracts during the pre-close and closing phase of a bank in the resolutions process. Each bank has a different CMFM assigned who is listed on the closing Organizational Chart. Usually becomes the Capital Markets Receivership Manager during post-closing phase of the process. When traveling on-site, coordinates with Proforma to reconcile the securities inventory, obtain pricing, complete Proforma Jackets, and prepare the 4C template.

Capital Markets Manager –Is responsible for approving and reviewing the work performed by Capital Markets staff members.

Capital Markets Receivership Manager (CMRM) – Is responsible for the administrative activities of a receivership post-closing including transferring retained securities to the FDIC's custody, and ensuring the security is liquidated or managed. Usually the Capital Markets Functional Manager during pre-close and closing phases of the process.

Capital Markets Valuation Team The Capital Markets Specialists responsible for providing pricing and valuation of securities for a variety of purposes (for example, pre-close franchise marketing and analysis, Least Cost Test, and the annual ALR process).

Claims – Section of DRR, responsible for monitoring and making decisions regarding Claims filed by creditors of the failed bank.

GLOSSARY – continued

Closing Manager (CM) - Is responsible for leading the team closing the financial institution; the Closing Manager's role generally concludes with the Proforma meeting between the Financial Manager and the Assuming Institution.

CTM (Control Total Module) – FDIC's internal accounting system for monitoring the receipt of cash by the Corporation. The cash is posted by Journal Entry to specific assets in Metavante.

DOF, Treasury Manager (Division of Finance, Treasury Manager) – Is responsible for overseeing the FDIC's custodial account and conducting the "back-office" functions for transferring securities into and out of that account.

DRR Resolution Timetable Internal report created by DRR to track troubled financial institutions, estimated closing dates, and certain staff persons assigned to work on the resolution.

DRR Special Programs Group – Section within DRR, which serves as the intermediary between Franchise and Asset Marketing, Washington, DC and DOA for contracting issues. This section also reviews and files all of the bidder qualification forms (e.g. Purchaser Eligibility Certifications) that are submitted on the FDIC's website.

FDIC Custodians –

- Primary - Federal Home Loan Bank of New York
- Municipals - Cantor Fitzgerald
- Citibank & Wells Fargo - Structured Sales Trustee

Franchise Marketing, Washington, DC – Section within DRR which is responsible for the Least Cost Test and preparing the Board Resolutions pre-close.

Institution and Asset Sales, Franchise Marketing, Field Operations Branch, Dallas, TX – Section within DRR which does the planning and marketing of the bank pre-close, including setting up data-rooms for due diligence, and sending Team Leaders onsite to gather data.

Proforma Jackets – Documentation prepared by the Proforma Team to convert the failed bank's accounting records from accrual basis to cash basis accounting and to document the "split" of assets between those remaining with the FDIC and those sold to the Acquiring Institution.

Metavante – Third-party system used by FDIC for asset servicing. Individual assets are loaded into Metavante which is updated by Journal Entries posted into CTM.

NFE (New Financial Environment) – FDIC's internal General Ledger system, which aggregates data from CTM, Metavante, and 4C at the Receivership level.

GLOSSARY – continued

Post-Closing Asset Manager (PCAM) – Is responsible for managing and servicing loans and other assets that remain with the Receiver and serves as the point of contact on-site post-closing.

Proforma Team – Is responsible for the accounting for a bank closing. The Proforma Manager for a Receivership is listed on the Organizational Chart for a closing. Activities are documented in the Proforma Jackets.

Purchase & Assumption Agreement – Legal document prepared by FDIC legal to implement the transaction between the FDIC and the acquiring institution.

Qualified Financial Contracts (QFC's) – QFCs are certain financial contracts that have been defined in the Federal Deposit Insurance Act (FDI Act) and receive special treatment by the FDIC in the event of the failure of an insured depository institution (institution). The FDI Act identifies QFCs using the statutory definition of five specific financial contracts. This statutory list of QFCs consists of securities contracts, commodity contracts, forward contracts, repurchase agreements, and swap agreements.

Receiver-in-Charge (RIC) – Is responsible for the orderly administration of the receivership in its early days, generally the first few months past close.

RemotePlus (IDC) – Third-party software purchased by the FDIC, and used by Capital Markets to obtain data and pricing for securities.

RIS/SDI Call Report Detail – FDIC's internal database, maintained by DIR to store Call Report and TFR Data.

RMS Vision System – FDIC's internal system, maintained by RMS for recording the results of bank examinations including CAMEL ratings.

Settlements – Group within Receivership Oversight which monitors the relationship between the FDIC and the acquiring institution by maintaining a "due to/due from" ledger for approximately 1 year after closing. The Settlements Manager for a Receivership is listed on the Organizational Chart for a closing. Notifies and coordinates with Capital Markets when there are post-closing issues such as repurchases, discovered assets, and trailing payments.

Strategic Resolution Plan (SRP) – Communication prepared by Capital Markets Functional Manager and sent to the Receiver-in-Charge and Closing Manager pre-closing for the purpose of planning the closing.

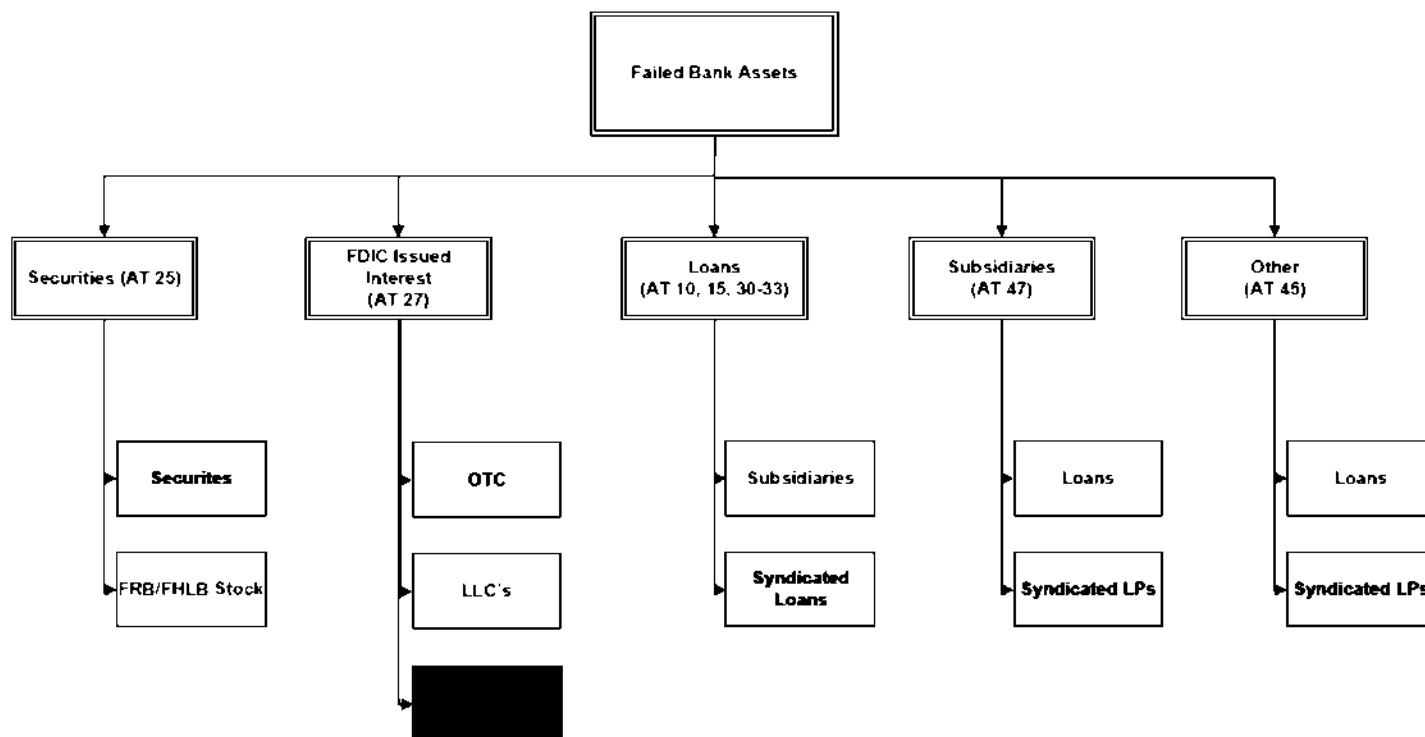
GLOSSARY – continued

Syndicated Limited Partnerships (Syndicated LP's or SYNLP's) - Is an asset category created by Capital Markets to include interests in the form of shares or limited partnership interests in funds that are organized as partnerships or limited liability companies with partnership election for tax purposes. For a complete definition see Section 5.1 “Definition of a Syndicated Limited Partnership”.

Syndicated Loans (SYNLoans) – Loans made by two or more lenders contracting directly with a borrower under the same credit agreement. For a complete definition see Section 3.1 “Definition of a Syndicated Loan”.

III. FLOWCHARTS

A. Capital Markets Areas of Responsibility

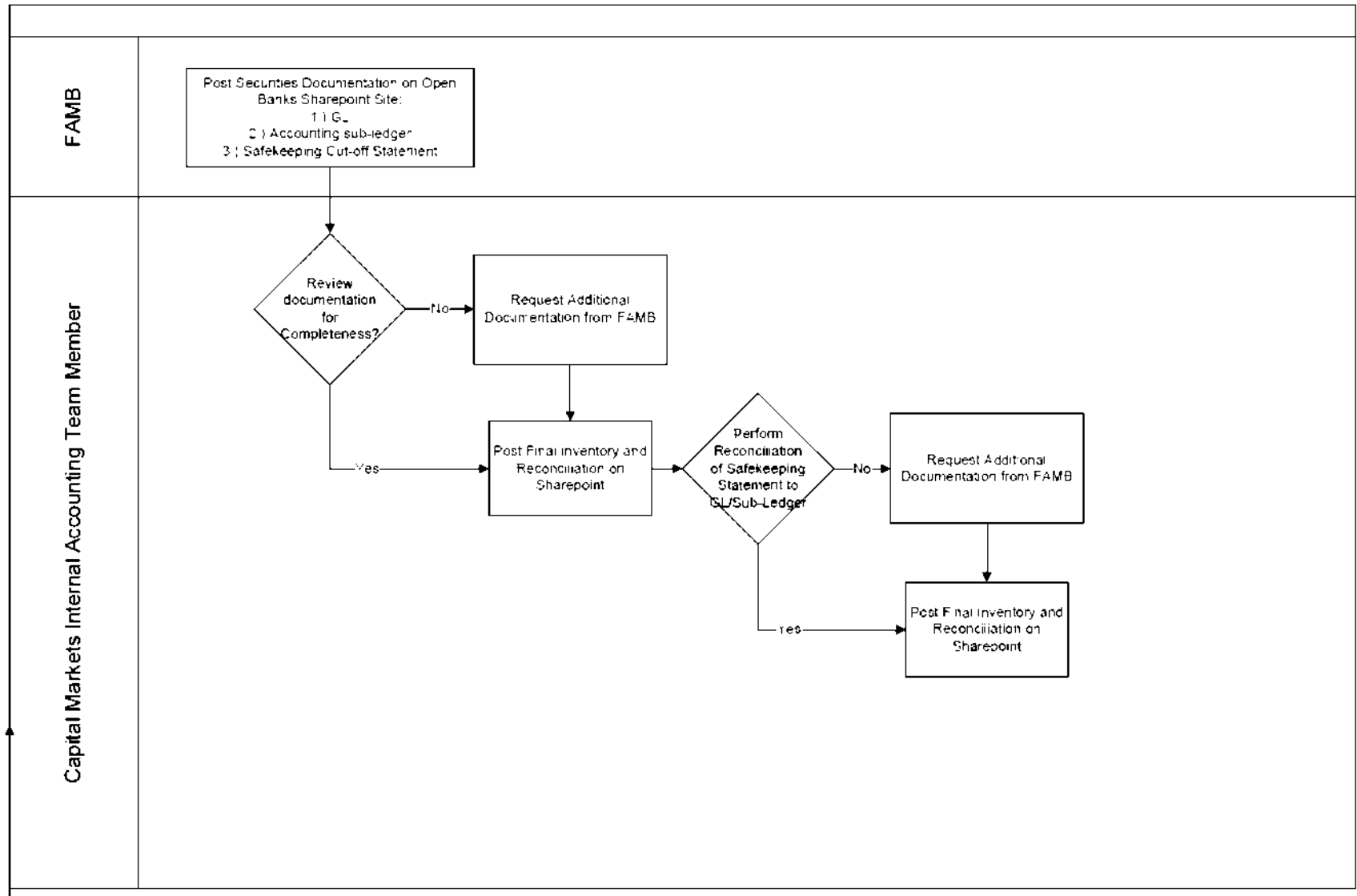


LEGEND:

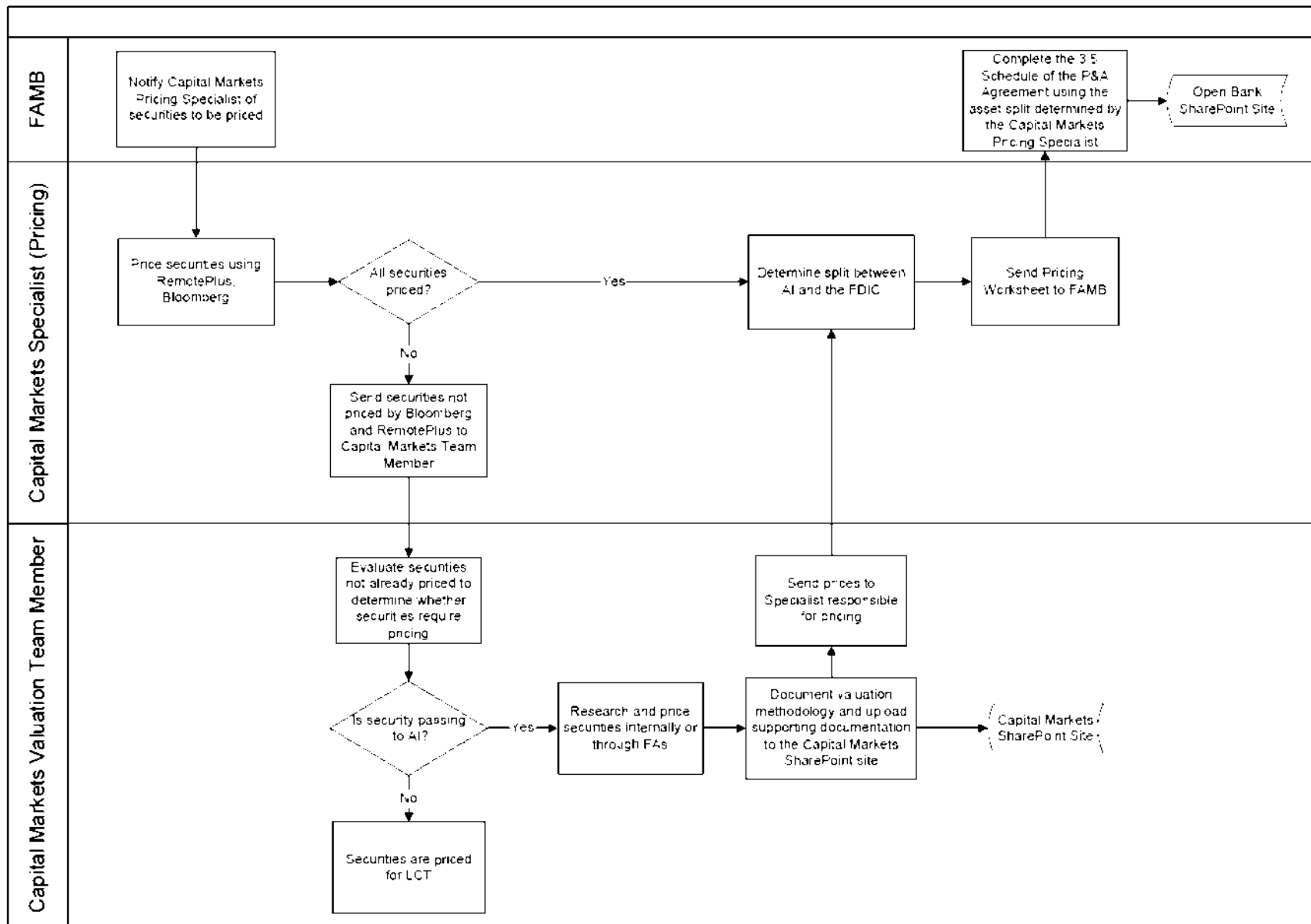
Management & Sales



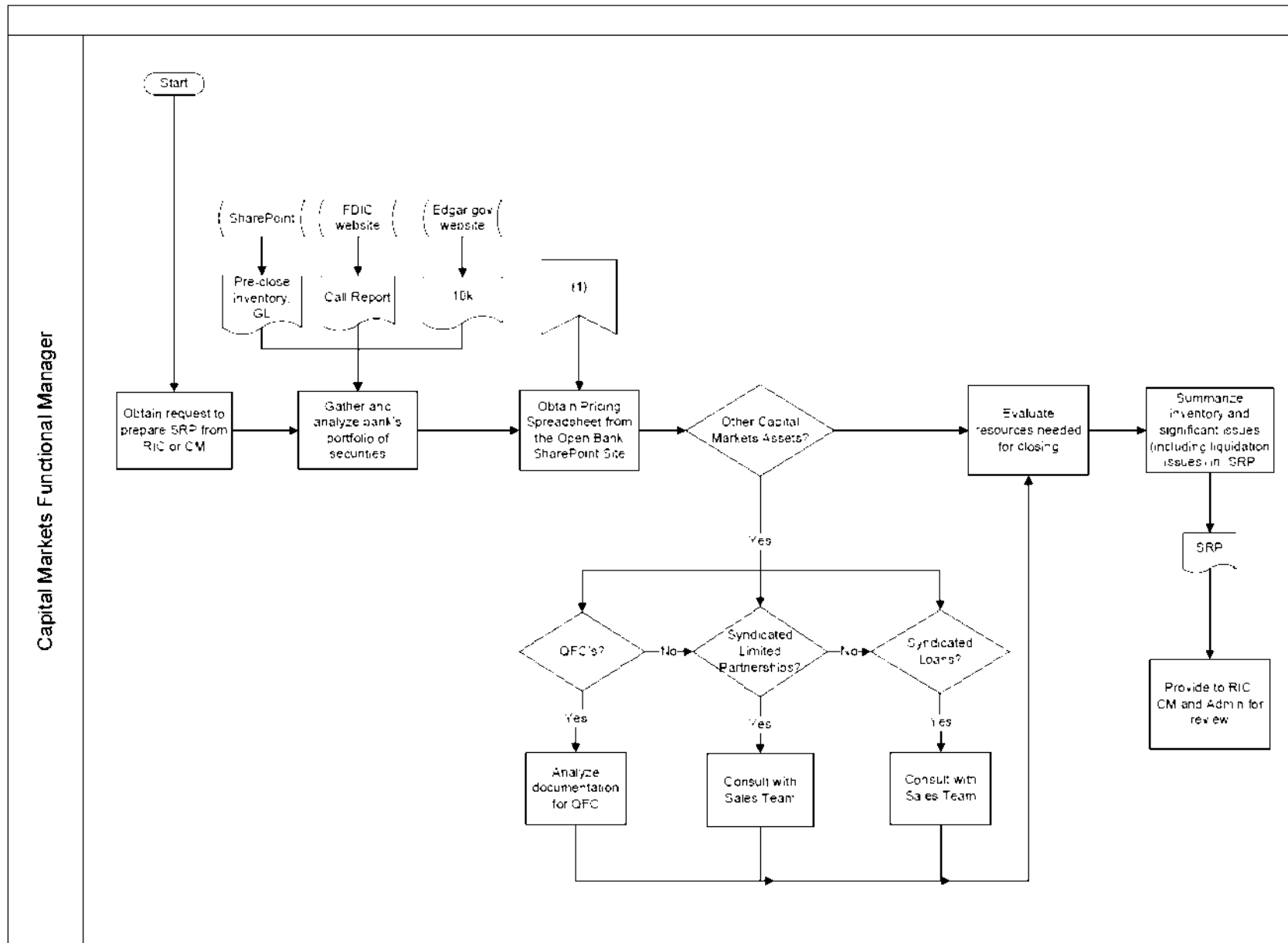
B. Pre-Closing Activities: Inventory Reconciliation



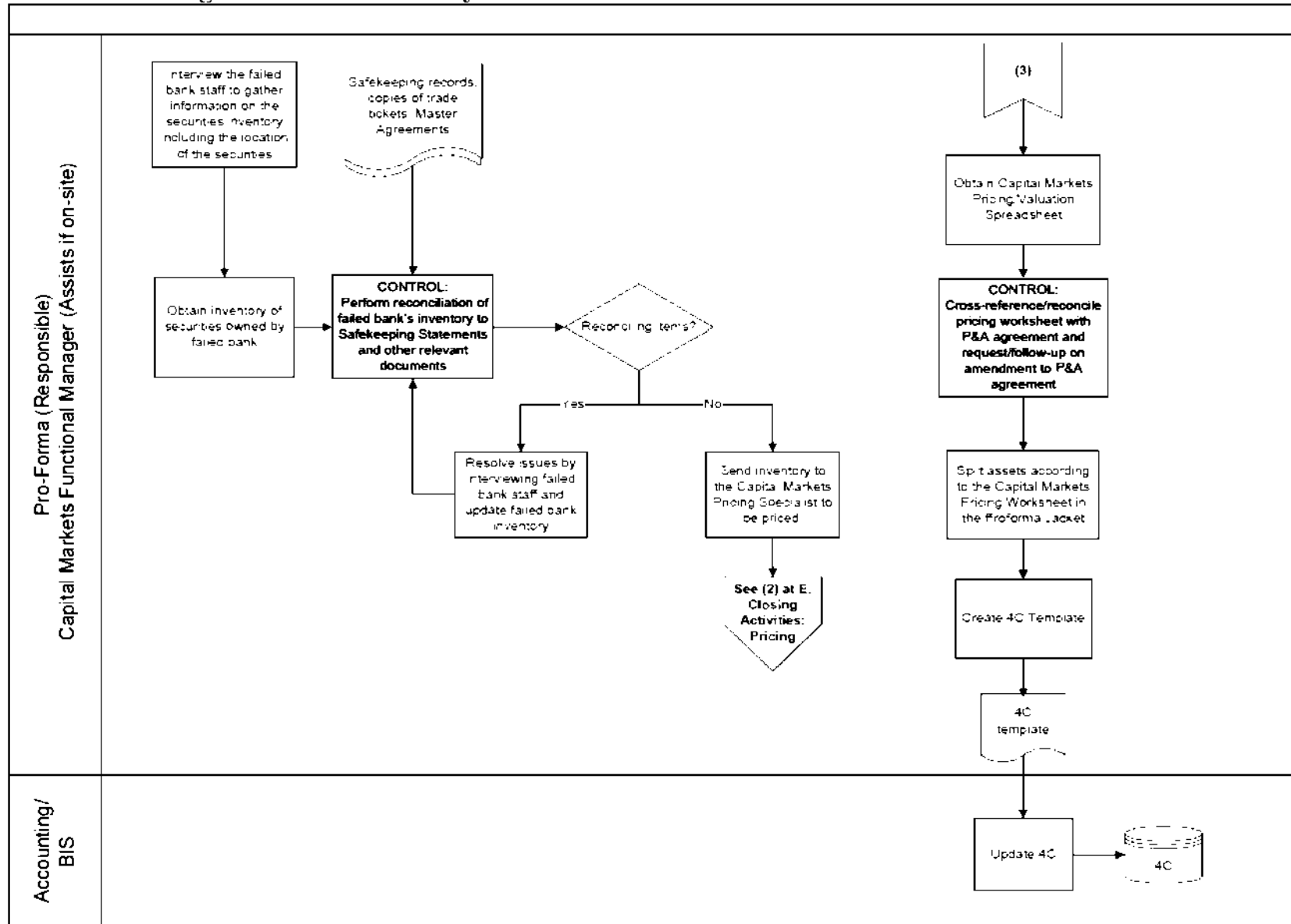
C. Pre-Closing Activities: Pricing



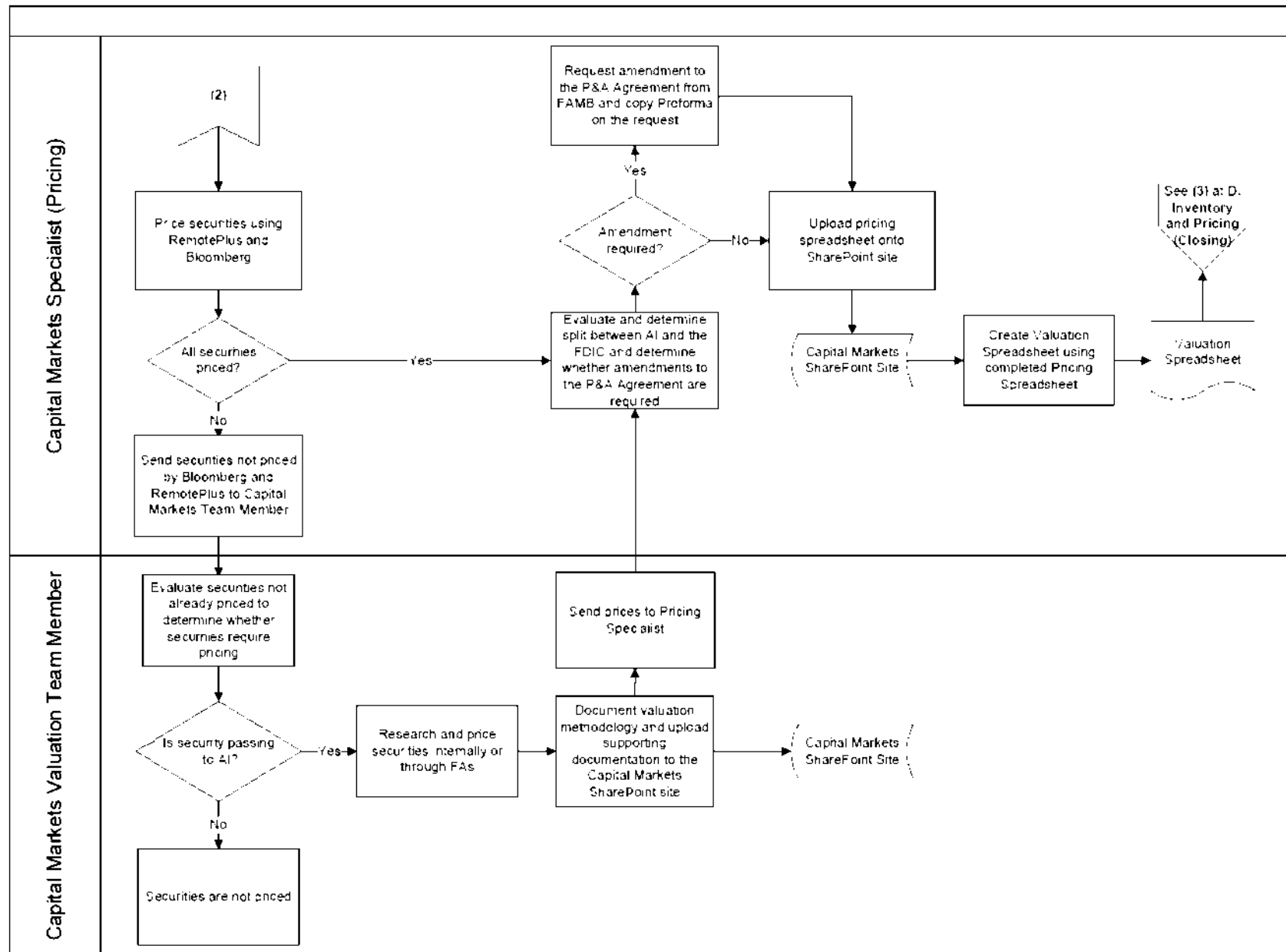
D. Pre-Closing Activities: Analyze Bank Inventory & Prepare SRP



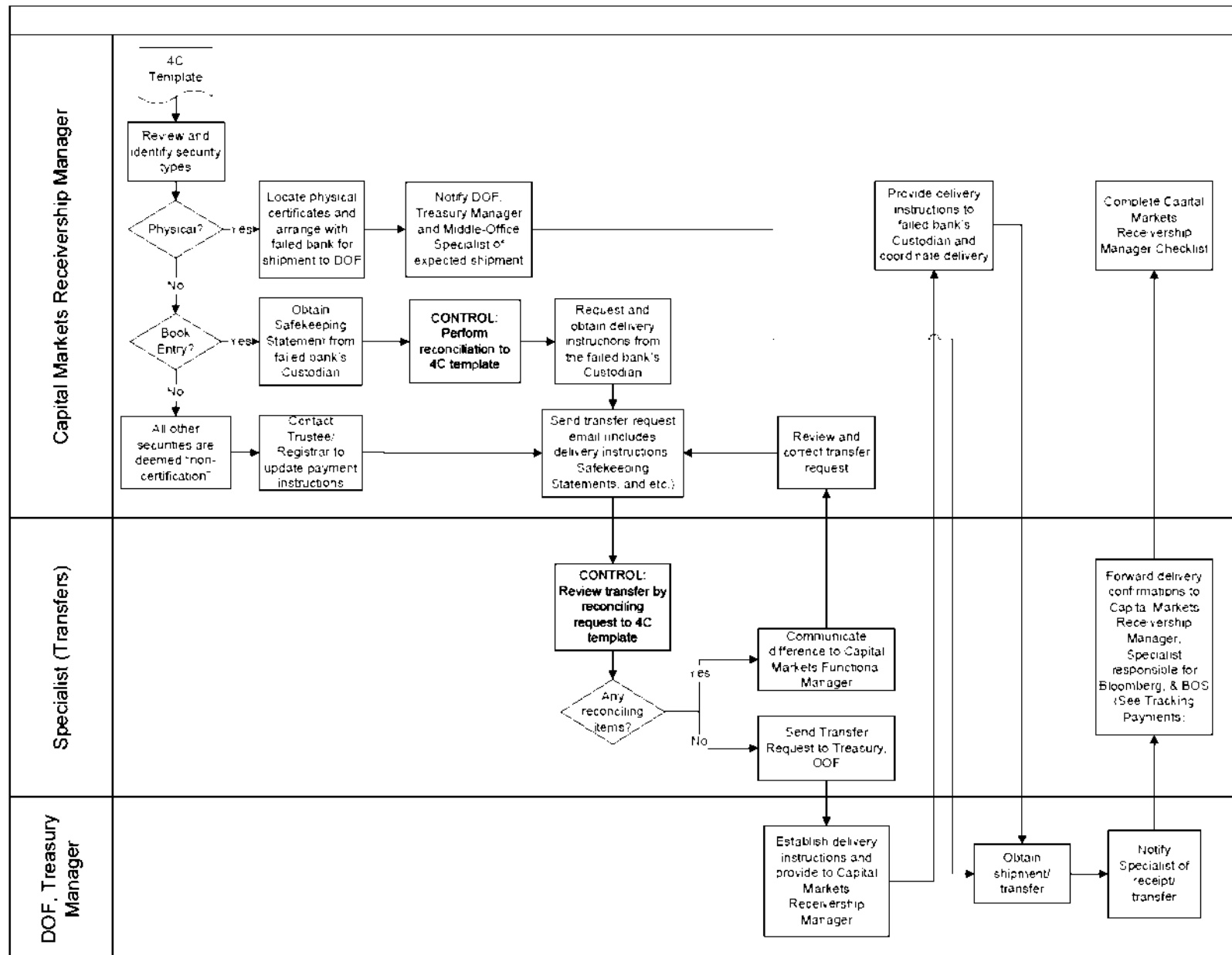
E. Closing Activities: Inventory



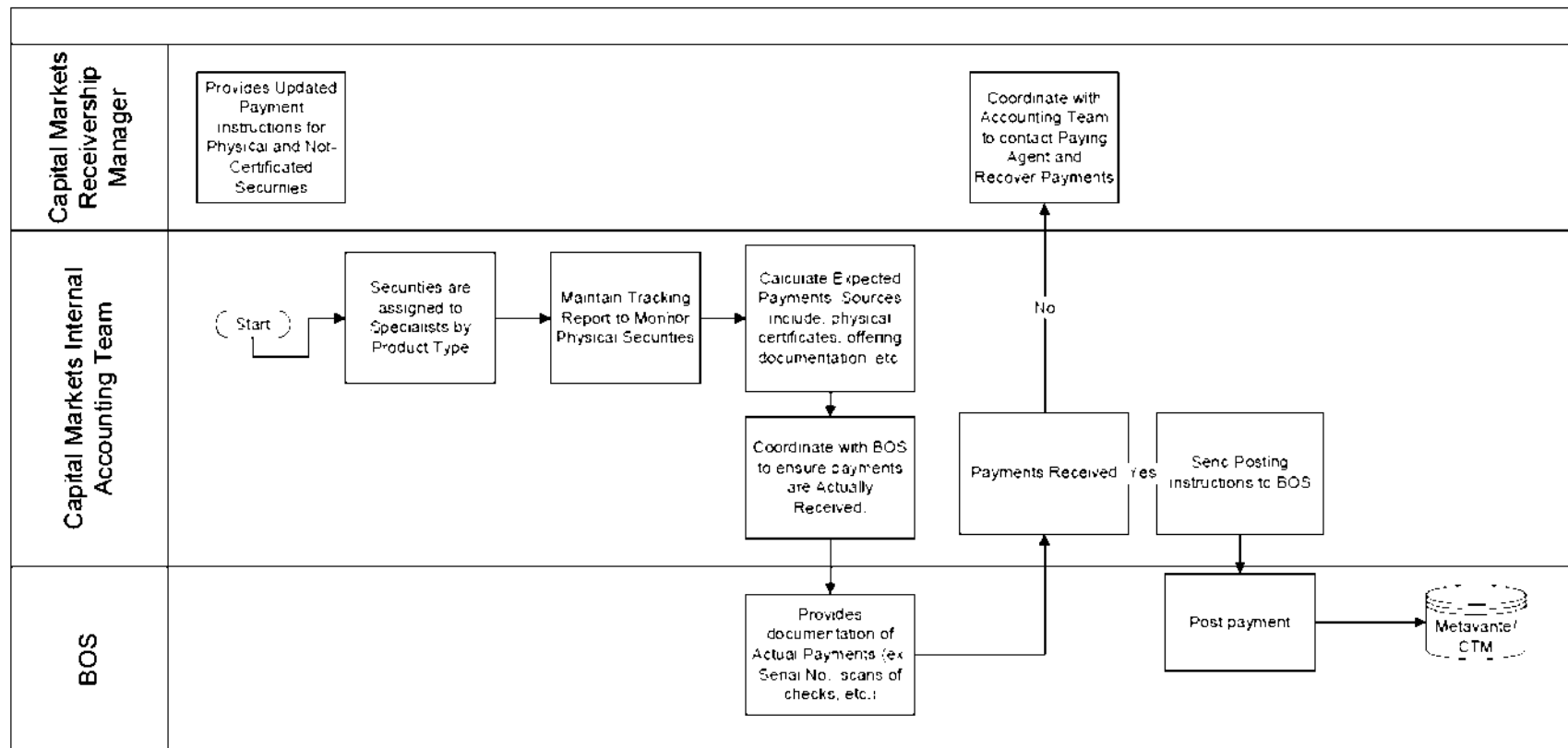
F. Closing Activities: Pricing



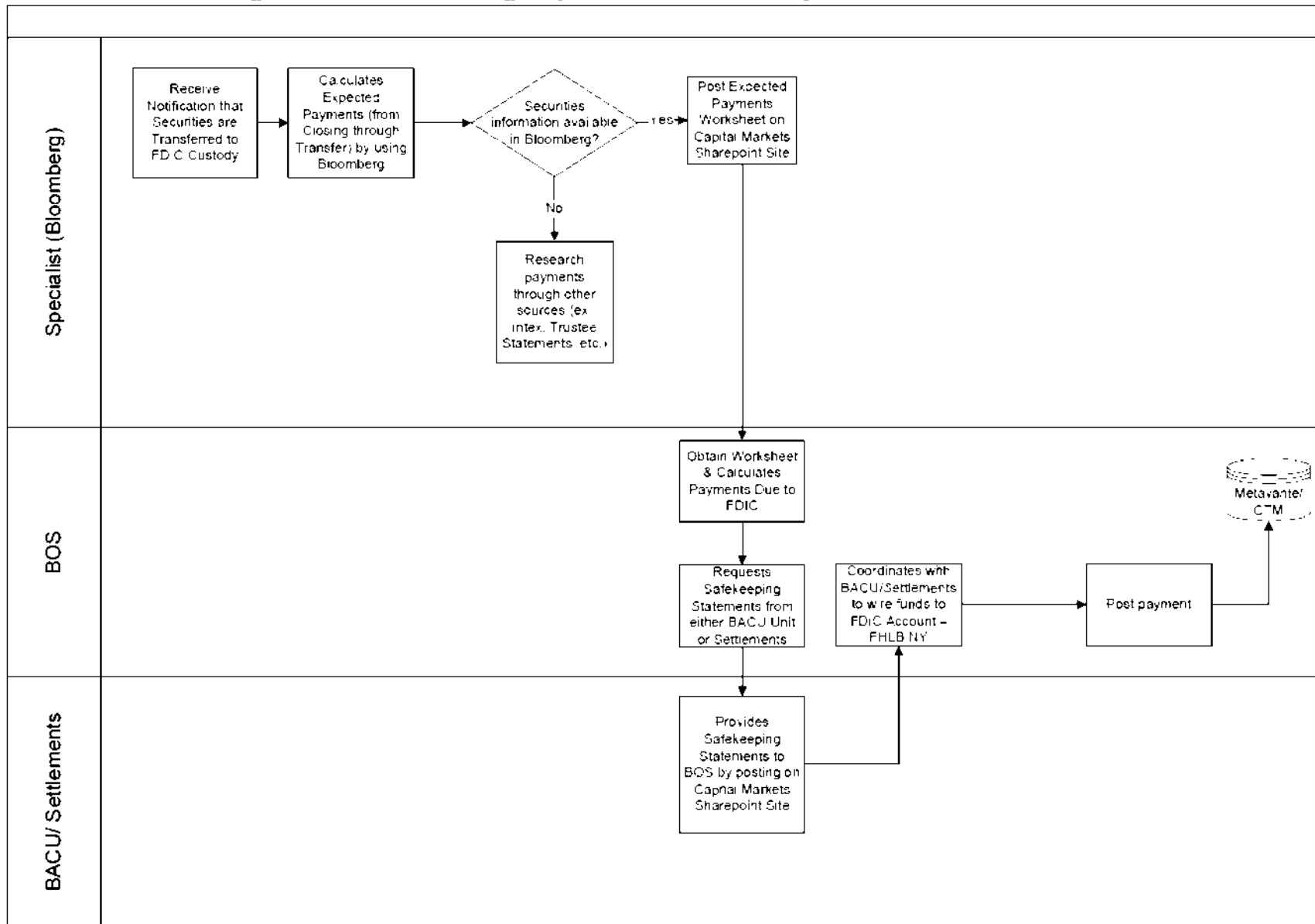
G. Post-Closing Activities: Obtaining Custody of FDIC Retained Securities



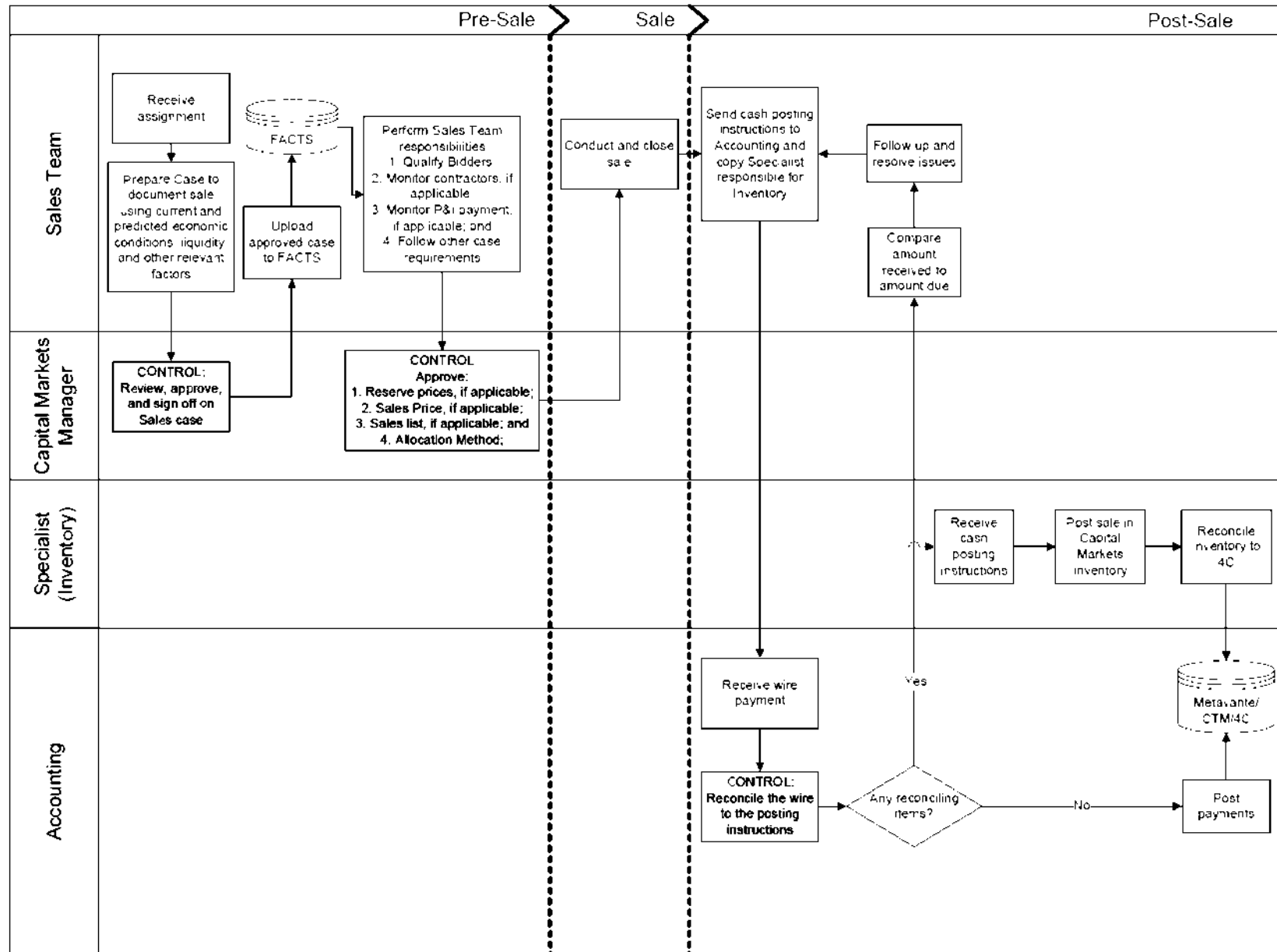
H. Post-Closing Activities: Tracking Payments – Physical Securities



I. Post-Closing Activities: Tracking Payments – Book Entry Securities



J. Post-Closing Activities: Sales Process



K. Example Bank Closing Organizational Chart

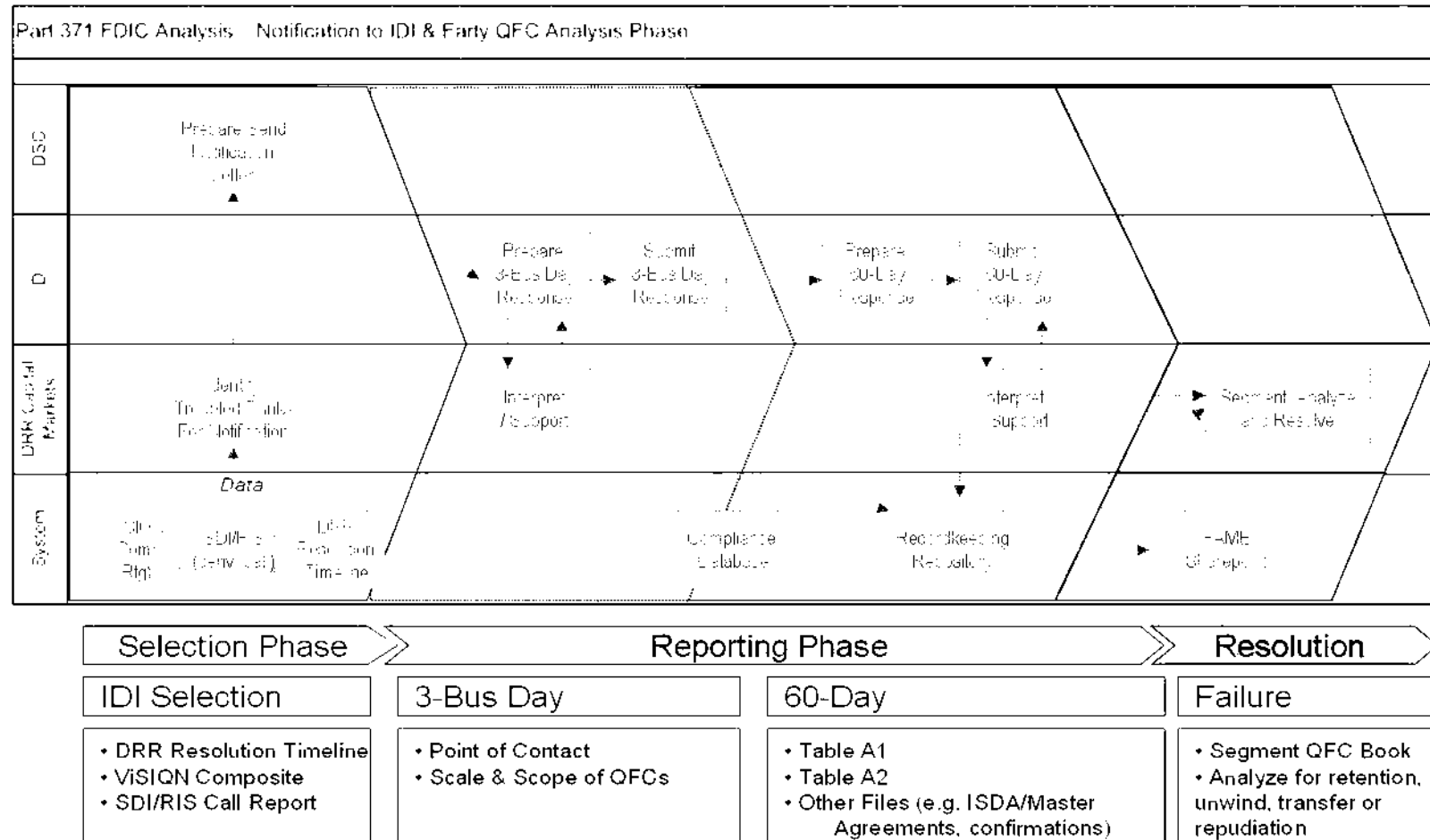
Found on SharePoint under:

DRR Open (or Closed) Bank Site Links > "Bank Name" > Shared Documents > RIC-Closing Manager Folder

INSTITUTION NAME: name CITY, ST: name INSTITUTION CODE NAME: name CLOSING TEAM CODE NAME: name		FUND: xxxxx INSTITUTION ID: xxxxx OPA: FDIC WEB: FM - Dallas: name FM - Site: name Quantum/OM - RAC: name Spherian/OM: Payroll name OIG:		RECEIVER IN CHARGE name		COMMUNICATIONS name	
CLOSING DATE/TIME: date time TOTAL ASSETS (MM): \$\$\$ TOTAL DEPOSITS (MM): \$\$\$		ext: xxxxx code: xxxxxxxx		CLOSING MANAGER name		OMBUDSMAN name	
CLOSING HOTLINE: xxx-xxx-xxxx CONFERENCE NUMBER: xxx-xxx-xxxx				ADMIN ASSIST name		CALL CENTER name name name	

ASSET MANAGER name	BRANCH COORD name	INV IN CHARGE name	CL/AIC name	FINANCIAL MANAGER name		FAC MGR name	LEAD ATTORNEY name	IT MANAGER name
ASSET SUPPORT name	BRANCH MANAGERS name	INV SUPPORT name	CL SME name	PF TEAM LEAD name	PF DEP SPEC name	FAC SPT name	LEGAL SUPPORT name	IT SPECIALIST name
ORE / FF&E name	name	INV TECH name	CLSPT FIELD name	PF SUPPORT name	PF LDAN SPEC name	name	CLOSING ATTORNEYS name	IT SUPPDRT name
CAPITAL MKTS / SEC name	name	INV INVENTORY name	CL RLS/CAS LEAD name	TAX SPECIALIST name	name	name	PLG ATTORNEYS name	DEPOSIT DOWNLDAD name
CONTRACT/LEASE name	name	RECORDS MGMT name	EMP BENEFITS LEAD name	name	name	name	LIT ATTORNEYS name	LOAN DOWNLOAD name
SUBSIDIARIES name	name	name	EMP BENEFITS SPT name	name	name	name	name	FORENSICS SUPPORT name
PC ASSET MGR name	SETTLEMENT AGENT name	name	PAYROLL LEAD name	DIVISION		REGION	# OF STAFF	% of Total Count
PC ASSET TEAM name	name	name	PAYROLLSPT name	DRR		Dallas	#	%
						Jacksonville	#	%
						Schaumburg	#	%
				Total DRR			#	%
				DRR Trainees (included)			#	%
				DIT			#	%
				DOA			#	%
				DSC			#	%
				LEGAL			#	%
				DD			#	%
				Total Contractors			#	%
				Total Count			#	%

L. Qualified Financial Contracts – 371 Recordkeeping



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IV. POLICIES AND PROCEDURES

A. SECURITIES

1. SECURITIES GUIDANCE

A. SECURITIES

1.1 Definition of “Securities”

The term “Securities” includes, but is not limited to, U.S. Treasury instruments, issues of governmental agencies, mortgage-backed obligations, municipal bonds, warrants, options, futures contracts, partnership interests, shares of unit investment trusts, participation certificates, preferred or common stocks and other equity instruments, rated or unrated bonds, notes or other debt instruments, financial derivatives, special purpose finance corporations (subsidiaries) which serve or have served as vehicles for issuing or holding mortgage-backed or asset-backed securities, and all related instruments. [Definitions for Receivership Management Delegations, Attachment I to DRR Circular 1000.2].

A. SECURITIES

1.2 Pre-Closing Guidance

<p>In preparation for the closing and sale of a bank, Capital Markets provides timely and relevant analysis of securities, complex capital markets structures, and other appropriate information in support of the efforts of the Franchise and Asset Marketing Branch (FAMB). In addition, Capital Markets manages compliance with the Record Keeping Rule for Qualified Financial Contracts pursuant to 12 CFR Part 371 (Section E. Qualified Financial Contracts (QFC's) - Part 371).</p>	
	<p><u>Roles of Capital Markets Staff Members at Pre-Closing:</u></p> <ul style="list-style-type: none"> • Capital Markets Internal Accounting Team – responsible for reconciling securities portfolios to the general ledgers of failing financial institutions for the Least Cost Test and for Proforma planning • Capital Markets Valuation Team – responsible for valuing all securities. • Capital Markets Specialist responsible for Pricing – a member of the Capital Markets Valuation team, responsible for organizing the pricing data and communicating the data to FAMB for inclusion in the Least Cost Test and the Purchase and Assumption Agreement. • Capital Markets Functional (Receivership) Manager (CMFM)– is responsible for providing Capital Markets support during the planning and preparation for closing of financial institutions that hold securities, syndicated loans, syndicated limited partnerships, or Qualified Financial Contracts (QFCs).
	<p><u>Additional Stakeholders:</u></p> <p>Institution and Asset Sales, Franchise Marketing, Field Operations Branch, Dallas, TX – Section within DRR which does the planning and marketing of the bank pre-close, including setting up data-rooms for due diligence, and sending Team Leaders onsite to gather data.</p> <p>Franchise Marketing, Washington, DC Headquarters– Section within DRR which is responsible for the Least Cost Test and preparing the Board Resolutions pre-close.</p>
	<p><u>Capital Markets Internal Accounting Team Responsibilities:</u></p> <p>The Capital Markets Specialist supports the planning and preparation for closing of financial institutions that hold securities, syndicated loans, syndicated limited partnerships, or Qualified Financial Contracts (QFCs) by assisting Franchise Marketing and Proforma in reconciling the securities portfolios to the General Ledgers of failing financial institutions.</p> <p>(Flowchart B: Pre-Closing Activities: Inventory Reconciliation)</p>
	<p>1.) Reconcile Securities Portfolio: Using the documentation available on Sharepoint, The Specialist responsible prepares a reconciliation of the</p>

	<p>securities portfolio to the general ledger of the failing institution. The reconciliation is performed using the previous month-end cut-off statement, reconciling the safekeeping statements, the subsidiary accounting statement, and the general ledger statement to try to obtain a complete list of securities held by the bank prior to closing. The Specialist obtains additional documentation as needed by coordinating with Franchise Marketing, Field Operations Branch's representative on-site at the bank pre-close.</p> <p>While conducting this reconciliation, the Specialist should attempt to identify physical securities or off-balance sheet securities and bring them to the attention of the CMFM and Proforma.</p>
	<p>2.) Post Reconciliation to Sharepoint: The final reconciliation is posted to Sharepoint in the Open Bank Site for the institution in the Assets-Securities folder.</p>
	<p><u>Capital Markets Valuation Team Responsibilities:</u> Capital Markets Valuation Team members are responsible for responding to requests for valuing securities. During the pre-close phase, Franchise Marketing sends these requests to the Capital Markets Specialist responsible for pricing, who requests the Valuation Team Members to value the securities. The Capital Markets Specialist organizes the final valuation deliverable and sends it back to Franchise Marketing.</p> <p>(Flowchart C: Pre-Closing Activities: Pricing) (Flowchart D: Pre-Closing Activities: Analyze Bank Portfolio)</p>
	<p>3.) Price Securities: After the inventory is complete, the Valuation Team coordinates with Proforma to obtain pricing for all securities by emailing the inventory to the Capital Markets Specialist responsible for pricing.</p> <p>(Job Aid 2.1: Pre-Close & Closing Valuation Guidance)</p>
	<p>a. Capital Markets Specialist responsible for Pricing Values Securities using Remote Plus or Bloomberg – For the majority of securities, the current Market Values are available from Remote Plus (Financial Times Interactive Data) or from Bloomberg.</p> <p>(Job Aid 2.1: Pre-Close and Closing Valuation Guidance)</p>
	<p>b. Valuation Team Members Value other Securities – For securities where the current Market Values are not available from Remote Plus or Bloomberg, Valuation Team Members are</p>

	<p>responsible for researching the securities and determining a value. The securities values can be obtained from Financial Advisors or the values can be determined using internal valuation methodologies depending on the asset type. After the Valuation Team members value the securities, the Team documents the valuation methodology used and uploads the pricing methodology on the Capital Markets SharePoint Site.</p> <p>(Job Aid 2.1: Pre-Close and Closing Valuation Guidance)</p>
	<p>4.) Values are Provided to FAMB by the Capital Markets Specialist responsible for Pricing – All values are provided to the Capital Markets Specialist responsible for pricing who consolidates the values into a standard template and provides the valuation to FAMB. Included with these values is Capital Markets’ recommendation on whether or not the securities should be retained by the FDIC as Receiver or passed to the Acquiring Institution. This data is itemized in the Purchase and Assumption Agreement, Schedule 3.5. The valuation worksheet is uploaded onto the DRR Open Banks SharePoint Site by FAMB.</p>
	<p><u>Capital Markets Functional (Receivership) Manager Responsibilities:</u> Capital Markets supports the planning and preparation for closing of financial institutions that hold securities, syndicated loans, syndicated limited partnerships, or Qualified Financial Contracts (QFCs). The Capital Markets Functional Manager (CMFM) for pre-closing and closing assists in an advisory capacity by taking on any of the following responsibilities:</p> <p>(Flowchart C: Pre-Closing Activities: Pricing) (Flowchart D: Pre-Closing Activities: Analyze Bank Portfolio)</p>
	<p>1.) Analyze Portfolio & Prepare Strategic Resolution Plan (SRP): The CMFM analyzes the financial institution’s securities portfolio, financial statements, and regulatory filings to identify the inventory of securities including Qualified Financial Contracts, and any significant issues. Once the portfolio has been analyzed, the CMFM prepares the SRP to summarize the inventory and any significant issues. The SRP is communicated to the RIC (Receiver-in-Charge) and CM (Closing Manager) for planning purposes prior to a bank closing*.</p> <p>(Job Aid 2.2: Pre-Closing Inventory Analysis & Preparing an SRP)</p> <p>*If there are Syndicated Loans or Syndicated Limited Partnerships, Capital Markets would be notified by FAMB and may be asked to assist in an advisory capacity during pre-closing or asked to be onsite during the closing. In these instances, the CMFM coordinates with the Sales Team.</p>

	<p>**Capital Markets SRP is merely for planning purposes. The final, whole bank SRP is prepared by the RIC & CM and is approved by FDIC Senior Management.</p>
	<p>2.) Attend/call in to Pre-Close Functional Manager Meetings: When notified, the CMFM attends or dials into the pre-close meeting to assist in the planning of the closing. The CMFM also attends the Closing Informational Meetings, the morning of the closing, if traveling.</p>
	<p>3.) Evaluate Resources needed for Closing: The CMFM determines the appropriate level of staff resources required from the Capital Markets team and the team's respective deployment location(s) at closing. The CMFM consults with Capital Markets Managers if there are concerns.</p>
	<p>4.) Provide Advisory Services: The CMFM provides advice and analysis to the Receiver-in-Charge (RIC), Closing Manager (CM), Franchise Marketing, and the other Functional Managers on any capital markets-related issues and concerns.</p>

A. SECURITIES

1.3 Closing Guidance

Capital Markets provides the Closing Team timely and relevant capital markets data and market interpretation. Further, Capital Markets provides assistance as necessary to the Closing Team in gathering information required to carry out Capital Markets' post-closing responsibilities.

	<p><u>Roles of Capital Markets Staff Members at Closing:</u></p> <ul style="list-style-type: none"> • Capital Markets Valuation Team – responsible for valuing all securities. • Capital Markets Specialist responsible for Pricing – a member of the Capital Markets Valuation team, responsible for organizing the pricing data and communicating the data to FAMB for inclusion in the Least Cost Test and the Purchase and Assumption Agreement. • Capital Markets Functional (Receivership) Manager (CMFM)– Responsible for managing issues related to securities, syndicated loans, syndicated limited partnerships, or Qualified Financial Contracts (QFCs) that are held by a closing financial institution.
	<p><u>Additional Stakeholders:</u></p> <p>Institution and Asset Sales, Franchise Marketing, Field Operations Branch, Dallas, TX – Section within DRR which does the planning and marketing of the bank pre-close, including setting up data-rooms for due diligence, and sending Team Leaders onsite to gather data.</p> <p>Franchise Marketing, Washington, DC Headquarters– Section within DRR which is responsible for the Least Cost Test and preparing the Board Resolutions pre-close.</p>
	<p><u>Capital Markets Valuation Team Responsibilities:</u></p> <p>Capital Markets Valuation Team members are responsible for responding to requests for valuing securities. During the closing phase, these requests are handled by Proforma in the absence of a member from Capital Markets.</p> <p>(Flowchart E: Closing Activities: Inventory) (Flowchart F: Closing Activities: Pricing)</p>
	<p>1.) Price Securities: After the inventory is received from Proforma, obtain pricing for all securities.</p> <p>(Job Aid 2.1: Pre-Close & Closing Valuation Guidance)</p>
	<p>a. Capital Markets Specialist responsible for Pricing Values Securities using Remote Plus or Bloomberg – For the majority of securities, the current Market Values are available from Remote Plus (Financial Times Interactive Data) or from Bloomberg.</p>

	(Job Aid 2.1: Pre-Close & Closing Valuation Guidance)
	<p>b. Valuation Team Members Value other Securities – For securities where the current Market Values are not available from Remote Plus or Bloomberg, Valuation Team Members are responsible for researching the securities and determining a value. These values can be obtained from Financial Advisors, or they can be determined using internal valuation methodologies depending on the asset type. After the valuation Team Members value the securities, the Team documents the valuation methodology used and uploads the pricing methodology onto the Capital Markets Sharepoint Site.</p> <p>(Job Aid 2.1: Pre-Close and Closing Valuation Guidance)</p>
	<p>2.) Values are Provided to Proforma by the Capital Markets Specialist responsible for Pricing – All values are provided to the Capital Markets Specialist responsible for pricing who consolidates the values into a standard template and provides the valuations to FAMB. Included with these values is Capital Markets' recommendation on whether or not the securities should be retained by the FDIC as Receiver or passed to the Acquiring Institution. The information is then used to determine if an amendment to the Purchase and Assumption Agreement, Schedule 3.5 is necessary.</p> <p>Values for discovered assets should be provided within 24 hours after receiving email notice from Proforma that there is a discovered asset. The exception is if values are needed sooner, Proforma may send a final email notice to the Capital Markets Valuation Team with a deadline for final valuation. If values are not provided by the Valuation Team, Proforma will value securities at Proforma using the safekeeper's market Value and, if that's not available, the failed banks book value.</p> <p>In addition, the CMFM assigned to the closing should analyze assets discovered at Closing and determine whether they are to be included in Schedule 3.5 based on availability of the market value information.</p> <p>*Amendments to the P & A Agreement must be approved by the Assistant Director, Institution and Asset Sales, Franchise Marketing and communicated to the Proforma & Legal teams on site.</p>
	<p><u>Capital Markets Functional (Receivership) Manager Responsibilities:</u> Capital Markets supports the planning for and execution of closing financial institutions that hold securities, syndicated loans, syndicated limited partnerships, or Qualified Financial Contracts (QFCs). The Capital Markets Functional Manager (CMFM) for pre-closing and closing will assist in an advisory capacity</p>

	<p>by taking on any of the following responsibilities:</p> <ul style="list-style-type: none"> • For some closings, the Capital Markets Receivership Manager travels on-site. In such an instance, many of the responsibilities of the Capital Markets Receivership Manager overlap with the responsibilities of the Proforma Team; thus, the Capital Markets Receivership Manager should coordinate with the Proforma Team. The final Proforma Jackets are the responsibility of the Proforma Team. <p>If a Capital Markets Receivership Manager is not on-site, then Steps 1-4 listed below are carried out by a member of the Proforma Team, selected by the Financial Manager. The Proforma Team member then communicates key information to the Capital Markets staff member who is assigned as the respective failed bank's Capital Markets Receivership Manager.</p> <p>After Proforma has completed their responsibilities, the Proforma Team member for Securities sends an email to the CMFM with documentation to support their calculations in the Proforma Jackets. The documentation is also uploaded to the Capital Markets Sharepoint Site in a folder for the receivership. Included in the documentation will be the following information:</p> <ul style="list-style-type: none"> • 4C Template • Accrued Interest Worksheet • Delayed Principal Payments Worksheet • FTID Pricing Worksheet • Safekeeping Cut-off Statement • Safekeeping Contact • Pledge Report <p>(See the Policy and Procedure Manual for Proforma.)</p>
	<p>1.) Interview Financial Institution Staff: Interview financial institution staff to gather information on the securities inventory and Qualified Financial Contracts (QFCs).</p> <p>(Job Aid 2.3: Closing Interview Guide)</p>
	<p>2.) Inventory Securities Owned by the Failed Bank*: The Capital Markets Receivership Manager will coordinate with Proforma to obtain a complete inventory of the securities owned by the failed bank as of the date of closing by reconciling the bank's portfolio accounting records to third party documentation, primarily Safekeeping Statements [CONTROL: CORROBORATION WITH THIRD-PARTY DOCUMENTATION]. Identify unsettled trades and/or securities commitments and update the inventory accordingly. Additional verification of a security's existence can be obtained by using:</p> <ul style="list-style-type: none"> • Trade confirmations,

	<ul style="list-style-type: none"> • Pledge agreements, • Master agreements, or • Annexes and schedules to the master agreements. <p>*The Proforma Team has its own set of Internal Controls for approving and ensuring the accuracy of the inventory when completing the Proforma Jackets.</p>
	<p>3.) Split Securities between the FDIC and Acquiring Institution: The Capital Markets Receivership Manager assists Proforma, as needed, with preparing the Securities Proforma Jackets, including “splitting” or identifying securities retained by the FDIC or sold to the Acquiring Institution as specified in the final Purchase and Assumption Agreement, prepared by Legal, and documented on the failed bank’s SharePoint Site.</p> <p>The Capital Markets Functional Manager must also review the P&A agreement to ensure all updates and split of assets to the FDIC and the AIs are accurate by reconciling the pricing worksheet with the P&A agreement. [CONTROL: RECONCILIATION OF PRICING WORKSHEET TO P&A AGREEMENT]</p>
	<p>4.) Complete 4C Template: Assist Proforma, as needed, with preparing the 4C Template to ensure that securities are loaded into 4C accurately. The template is reviewed for formatting by the Capital Markets Specialists responsible during the post-closing phase*.</p> <p>(Job Aid 2.4: 4C Template Review Guidelines)</p> <p>*The FDIC BIS Groups and BOS (called Proforma on-site at closings) have their own internal controls for reconciling and ensuring the accuracy of the 4C Templates.</p>
	<p>5.) Prepare to Transfer Book-entry Securities to the FDIC’s Custodian: Gather data about the safekeeping arrangements such as Safekeeping Agents, contact persons, authorized signers, and pledging arrangements in order to transfer the securities to FDIC’s custody.</p> <p>(Job Aid 2.5: Transferring Book Entry Securities)</p>
	<p>6.) Gather Physical Securities and Supporting Documentation: Locate physical securities and files for securities, syndicated loans, or syndicated limited partnerships retained by FDIC as Receiver and arrange for the transfer of physical securities and files to headquarters, Washington DC.</p>

	<p>(Job Aid 2.6: Shipping Physical Securities)</p> <p>Best Practice Hint: Note on the inventory those CUSIPs that are not valid, as this is a sign that the securities are likely to be physical.</p> <p>If the CMFM does not travel on-site, it is the responsibility of the CMFM to contact the Asset Manager and make arrangements to ship the Physical Securities to DOF.</p>
	<p>7.) Support Closing Team: At closing, Capital Markets supports the Closing Team by providing necessary information and input to the Financial Management team (ProForma, Settlement and Interim Servicing), the Legal team, and (when necessary) the Claims and Subsidiaries teams. This support can be provided on site at the closed institution or from the Capital Markets Specialist's official station. At institution close, the Capital Markets Specialist assigned as the Capital Markets Functional Manager for a closing will participate by:</p> <ul style="list-style-type: none"> • Attending closing team functional manager meetings when onsite, or, if requested, calling in to the Monday morning meeting following closing weekend. • Providing advice and analysis to the Receiver-in-Charge (RIC), Closing Manager (CM), the FAMB Marketing Specialist, and the other Functional Managers and team members on any capital markets-related issues and concerns. • Responding to inquiries from Assuming Institution representatives. • Submitting all necessary reports, memos and schedules to the Closing Manager when on-site as the Capital Markets Functional Manager
	<p>8.) Manage Qualified Financial Contracts: If there are QFC's, Capital Markets will work with Closing Team members and will administer, manage and dispose of Qualified Financial Contracts in a timely manner (Section D. Qualified Financial Contracts). If there are QFC's, gather data regarding collateral and trade confirmations.</p>

A. SECURITIES

1.4 Post-Closing Guidance

DRR Capital Markets manages and liquidates securities to obtain the best value for the benefit of the receivership. Capital Markets staff members have both operational and sales responsibilities for securities based on the roles outlined below:

	<p><u>Roles of Capital Markets Staff Members at Post-Closing:</u></p> <ul style="list-style-type: none"> • Capital Markets Receivership (Functional) Manager (CMRM) – responsible for obtaining custody, tracking principal and interest payments, and other administrative tasks related to securities within a particular receivership. • Capital Markets Internal Accounting Team – responsible for maintaining an up-to-date Capital Markets Inventory listing, including tracking the safekeeping location for all Capital Markets assets, performing “cancel and corrects”, and ensuring payments are being received by the Receiverships for physical and not-certificate securities. • Sales Team Leader/Member (“Sales Team”) – responsible for the disposition of a particular security or type of securities. • Capital Markets Manager – responsible for approving sales cases within the Manager’s delegated authority, reviewing Capital Markets Inventory reconciliations, and approving 4C Service Requests.
	<p><u>Additional Stakeholders:</u></p> <p>Division of Finance (“DOF”) – responsible for overseeing the FDIC’s custodial account and transfer of securities into and out of the account.</p> <p>Business Operations Support (“BOS”) – responsible for the FDIC’s Receivership Accounting system, which includes accounting for inventory and recording journal entries for the receipt of payment on securities.</p>
	<p><u>Capital Markets Functional (Receivership) Manager Responsibilities:</u></p> <p>Receivership Managers are responsible for all of the administrative or operational responsibilities for the securities starting with the date of bank closure until the date of liquidation. These responsibilities include the following:</p> <p style="text-align: center;">(Job Aid 2.7: Capital Markets Receivership Manager Checklist)</p>
	<p>1.) Obtain Custody of FDIC-Retained Securities: Capital Markets Receivership Managers are responsible for obtaining custody of 100% of the securities retained by the FDIC. A complete inventory of retained securities is listed on the 4C Template, on the Closed Bank SharePoint Site for the closed institution. Upon notification from relevant sources, when events occur after closing weekend (ex. repurchases, discovered assets), the Capital Markets Receivership Manager is also responsible for obtaining custody of those assets. The process for obtaining custody differs depending on if the securities are classified as book-entry, physical, or “not-certificated”:</p>

(Flowchart G: Post-Closing Activities: Obtaining Custody of FDIC-Retained Securities)

a.) Book-Entry Securities: For purposes of this manual, “book-entry” securities are securities for which the owner does not receive physical certificates, and instead the securities are electronically held in safekeeping by a custodian. The custodian acts as an intermediary between the issuer and the owner and keeps records of the identity of the owner. (For example, a failed bank might own book-entry securities issued by Ginnie Mae and held electronically in the bank’s safekeeping account at Citibank.) We obtain custody of these securities by transferring them from one custodian (the failed bank’s custodian) to another (“FDIC’s custodian”), using the DTC or Fed Book-Entry system. Capital Markets Receivership Managers identify retained securities that are book-entry by obtaining a Safekeeping Statement and arranging for their delivery to FHLB NY or other FDIC-designated Custodian. **[CONTROL: THIRD-PARTY VERIFICATION]**. An overall reconciliation of the transfer request is performed by the Resolutions and Receiverships Specialist responsible for securities transfers. **[CONTROL: SECONDARY REVIEW]** The Division of Finance (DOF) has control over the FDIC’s custody account and monitors the transfer of securities into and out of that account. **[CONTROL: SEGREGATION OF DUTIES]** Once book-entry securities are transferred, payments will automatically be deposited into the FDIC’s custodial account. Capital Markets Receivership Manager will need to be conscious of the record dates and make arrangements to have trailing payments sent to the FDIC (See Section 1.4, Track Principal and Interest Payments for FDIC Retained Securities).

(Job Aid 2.5: Transferring Book Entry Securities)

(Job Aid 2.8: Updating Payment Instructions for Securities)

b.) Physical Securities: For purposes of this manual, “physical” securities are securities evidenced by physical certificates. These certificates can be registered in the name of the owner or registered in “Nominee Name” and held by a custodian. Many types of securities can be found in physical form, but the most common types are municipal bonds or shares of stock. Generally, physical securities are obtained during closing weekend and sent to the Division of Finance for safekeeping in its Vault. However, in the event that physical securities are located after closing weekend, it is the responsibility of the CMFM to have the certificates sent to the Division of Finance for storage in the Vault. **[CONTROL: SEGREGATION OF DUTIES]** The Specialist responsible for

	<p>transfers monitors the Vault Inventory and tracks transfers into and out of the Vault Inventory. [CONTROL: SECONDARY REVIEW]</p> <p><u>(Job Aid 2.6: Shipping Physical Securities)</u></p> <p>c.) Not-Certificated Securities: For purposes of this manual, “not-certificated” is a designation created by Capital Markets to describe securities that are not evidenced by physical certificates and are not held in book-entry safekeeping by a custodian. Instead, the issuer or the issuer’s agent keeps its own record of the ownership. One example of a “not-certificated” security is stock registered by the issuer, or the issuer’s Shareholder Relations Manager, in DRS (Direct Registration System provided by DTC) form. Syndicated Limited Partnerships are other examples of securities which are described as “not-certificated.” For all not-certificated securities, arrangements must be made with the registrar and/or paying agent to update the registration and redirect all future payments to the FDIC.</p> <p><u>(Job Aid 2.8: Updating Payment Instructions for Securities)</u></p> <p>Guidance for completing the transfer of securities is within 30 days of closing for securities that are not encumbered.</p> <p>Once you have completed this step, initial the Capital Markets Receivership Manager Checklist and have it signed by a Capital Markets Manager. [CONTROL: SECONDARY REVIEW]</p> <p><u>(Job Aid 2.7: Capital Markets Receivership Manager Checklist)</u></p>
	<p>2.) For all physical and not-certificate securities, the CMFM is responsible for sending instructions to the paying agent, registrar, or Trustee, as applicable to ensure that payments are received by the Receivership going forward.</p> <p><u>(Job Aid 2.8: Updating Payment Instructions for Securities)</u></p>
	<p>3.) Review of Capital Markets Inventory & 4C: The Capital Markets Receivership Manager should review and reconcile the Capital Markets Inventory and 4C against their own records (4C Templates, records of subsequent events, sales reports, etc.) and communicate any differences to the Specialist responsible for the Capital Markets Inventory. [CONTROL: SECONDARY REVIEW] This reconciliation is conducted at least quarterly.</p>
	<p>4.) Update of Pro-Forma Values: The Functional Manager reviews the values recorded at Pre-Closing to ensure accuracy. Any variance is researched and updated accordingly. [CONTROL: SECONDARY REVIEW]</p>

	<p><u>Capital Markets Internal Accounting Team:</u> The Capital Markets Internal Accounting Team is primarily responsible for maintaining an up-to-date Capital Markets Inventory listing and has several related responsibilities such as coordinating the transfers of securities, performing reconciliations, reporting on Capital Markets activities, and monitoring principal and interest payments for physical and “not certificated” securities. More detailed descriptions follow.</p>
	<p>1.) Maintain Inventory Listing: To maintain current data regarding Capital Markets activities, Capital Markets has established an inventory listing, using an MS Excel spreadsheet. This listing is updated by the responsible Specialist (or their designated back-up person). [CONTROL: RESTRICTED ACCESS] The official inventory listing is kept on the S:// drive in a restricted folder and is backed-up nightly. Copies of the Capital Markets Inventory are also made available weekly on the Capital Markets SharePoint Site so that other staff members can review the data. [CONTROL: SECONDARY REVIEW]</p> <p>The Capital Markets Inventory is updated for the following events:</p> <ul style="list-style-type: none"> • For newly failed banks, the inventory is updated by using the 4C templates. • For post-closing events such as repurchases, discovered assets, etc. and notifications are sent to the Sales Teams of the changes to their inventory. • When securities are liquidated, the inventory is updated after reviewing notification from the Sales Team. [CONTROL: SECONDARY REVIEW] • For changes in custody and safekeeping locations, the inventory is updated based on transfer requests and notifications. <p>In addition to updates made to the Capital Markets inventory, to ensure accuracy of the data, the Specialist is responsible for the following reconciliations:</p> <ul style="list-style-type: none"> • Reconcile Capital Markets Inventory to safekeeping statements from the FDIC’s custodians monthly. [CONTROL: CORROBORATION WITH THIRD-PARTY DOCUMENTATION] The reconciliation is also reviewed by a Capital Markets Manager who initials the reconciliation. [CONTROL: SECONDARY REVIEW] Copies of the Safekeeping Statements are made available to Capital Markets staff on the Capital Markets SharePoint Site. [CONTROL: SECONDARY REVIEW] • Reconcile Capital Markets Inventory to 4C weekly. Discrepancies are followed-up with the appropriate parties in Accounting and updates or changes to the Capital Markets Inventory are made as necessary. This weekly reconciliation is reviewed and signed off by a Capital Markets Manager. [CONTROL: SECONDARY REVIEW] • Copies of the Capital Markets Inventory are also posted to SharePoint

	weekly when the reconciliation to 4C is completed.
2.)	<p>Update 4C (Official System of Record for Inventory) to reflect Capital Markets Activity: 4C is the official system of record for the Capital Markets Securities Inventory. The Capital Markets Internal Accounting Team has the responsibility in Capital Markets for monitoring 4C and initiating changes to 4C. All changes are carried out by BOS staff in Dallas and the 4C Helpdesk. The following are scenarios in which the Capital Markets Internal Accounting Team may initiate changes in 4C:</p> <ul style="list-style-type: none"> • When notified by Settlements that assets are being repurchased from the Acquiring Institution, the Specialist responsible for the Inventory may prepare a 4C Template for BIS to add securities to 4C. [CONTROL: RECONCILIATION OF CTM SYSTEM BY BPMS TO 4C] • When assets are discovered (“discovered assets”), the Specialist responsible for the Inventory, initiates a Service Request or prepares a 4C Template to be uploaded into the 4C system. Service Requests are approved and signed by a Capital Markets Manager and the changes are carried out by BOS. [CONTROL: SECONDARY REVIEW], [CONTROL: SEGREGATION OF RESPONSIBILITIES] • Prepares Enrichment feeds to update descriptive fields such as Pooling Code, Asset Sub-Type, Account Officer, Safekeeping Location, etc. as needed for reporting. The Enrichment feeds are processed by BIS or the 4C Helpdesk. The Enrichment feeds are based on data from the Capital Markets Inventory listing which is maintained by the Specialist and the Inventory is reviewed by the Capital Markets Receivership Manager and the Sales Teams. [CONTROL: SECONDARY REVIEW] • Creates Marketing Projects in 4C to account for Bulk Security Sales. This includes confirming with BOS that all cash proceeds are received and posted in CTM/Metavante before marking the Securities as “Sold” and “Closing Out” the Marketing Project in 4C. If the assets are marked as “Sold” in 4C before BOS has finished their Journal Entries in Metavante, then a reconciling item will exist between 4C and CTM. [CONTROL: RECONCILIATION OF CTM SYSTEM BY BPMS TO 4C] Marketing Projects are created in 4C for security sales in accordance with “<i>DRR Circular 7210.2 Use of 4C for Franchise Marketing, Asset Marketing and Asset Management Activities.</i>” • Initiates Service Requests to Inactivate Securities that are sold by methods other than Bulk Sales. Service Requests are approved by a Capital Markets Manager and changes are carried out by BOS. [CONTROL: SECONDARY REVIEW], [CONTROL: SEGREGATION OF RESPONSIBILITIES] • Reconciling 4C to the Capital Markets Inventory weekly. The reconciliation is conducted at the same time that the Specialist prepares the Pooling Report and assigns a “pooling code” (sales strategy) for every security in 4C. Any discrepancies between the Pooling Report from the week prior and the current week are reviewed by BPMS and

	<p>communicated to the Specialist for correction. [CONTROL: RECONCILIATION OF WEEKLY POOLING REPORTS BY BPMS TO PREVIOUS REPORT] The reconciliation is also reviewed by a Capital Markets Manager weekly. [CONTROL: SECONDARY REVIEW]</p>
3.)	<p>Coordinate the Transfer of Book-Entry Securities to FDIC Custody or to accommodate Sales initiatives. The Specialist responsible for transfers receives transfer requests from the Capital Markets Receivership Manager including delivery instructions for the failed bank's Custodian and a copy of a recent Safekeeping Statement. The Specialist then reconciles the transfer request (Safekeeping Statement) to Capital Markets Inventory (4C Templates) and communicates differences to the Capital Markets Receivership Manager for resolution. [CONTROL: SECONDARY REVIEW] Once approved, transfer requests are sent by email to the DOF, Treasury Manager requesting transfer of securities to the FDIC's Custodian. [CONTROL: SEGREGATION OF DUTIES] Once delivery instructions have been established by DOF, they are communicated to the Capital Markets Receivership Manager who ensures that instructions are communicated to the other custodian according to the custodian's requirements. Delivery confirmations from DOF are received by the Specialist the day following transfer, and the Specialist should forward the notification to the Capital Markets Receivership Manager and to BOS so that they know the transfer was completed.</p> <p>(Flowchart G: Post-Closing Activities: Obtaining Custody of FDIC Retained Securities)</p>
4.)	<p>Monitor the Transfer of Physical Securities to FDIC Custody and maintain records for securities paperwork sent to Headquarters. Changes in safekeeping locations are updated in the Capital Markets Inventory. The Division of Finance controls the vault and maintains the vault inventory. [CONTROL: SEGREGATION OF DUTIES] The Vault Inventory is reviewed against the Capital Markets Inventory by the Specialist responsible for transfers monthly who provides the 4C Assct ID numbers to DOF. [CONTROL: SECONDARY REVIEW] Copies of the Vault Inventory are also made available to Capital Markets Receivership Manager on the Capital Markets SharePoint Site. [CONTROL: SECONDARY REVIEW]</p> <p>(Job Aid 2.6: Shipping Physical Securities) (Flowchart G: Post-Closing Activities: Obtaining Custody of FDIC Retained Securities)</p>
5.)	<p>Track principal and interest payments for physical and not-certificated securities retained by the FDIC*. The goal of Capital Markets and BOS is to account for 100% of the payments due to the Receivership starting with the</p>

	<p>date of bank closure until the date of liquidation.</p> <p>Capital Markets assigns different staff members the responsibility for monitoring principal and interest payments due on securities. These assignments are based on the type of security, ex. Municipals, Trust Preferred Securities, etc. and are usually assigned to the members of the Sales Team responsible for that asset. The Capital Markets staff person is responsible for calculating the Expected Payments due by verifying the amounts on Bloomberg, from the physical securities, or from another source. [CONTROL: THIRD-PARTY CORROBORATION] The Capital Markets staff members then coordinate with BOS, to ensure that the Principal and Interest was actually received by the FDIC. [CONTROL: SEGREGATION OF DUTIES].</p> <p>(Flowchart H: Post-Closing Activities: Tracking Payments – Book-Entry Securities)</p> <p>Expected and Actual Payment data should be kept up to date on an ongoing basis and they should maintain a report tracking all of the securities being monitored and the status of their payments. [CONTROL: SECONDARY REVIEW]</p> <p>*The exception with regard to tracking principal and interest payments is Syndicated Loans, Syndicated Limited Partnerships, and FRB & FHLB Stock. For Syndicated Loans, the payments will be tracked by the Syndicated Loans Sales Team who coordinates with the servicer of the loans (Section 3.4 Syndicated Loans Post-Closing Guidance) For Syndicated Limited Partnerships, the payments are tracked by the Syndicated Limited Partnerships Sales Team (Section 5.4. Syndicated Limited Partnerships Post-Closing Guidance) The Capital Markets Receivership Manager should ensure that the Sales Teams are aware of the assets and follow-up to ensure that the assets are liquidated. FRB & FHLB Stock is managed by the Bank Account Control Unit (BACU) a sub-group of BOS. This group monitors the FDIC's holdings at the Federal Reserve and Federal Home Loan Banks, including the redemption of the stock.</p>
6.)	<p>Provide expected payments data to BOS for book-entry securities, after the securities are transferred to FDIC Custody.</p> <p>It is the responsibility of BOS to ensure that principal and interest payments are received by the Receiverships while the securities are held by the failed bank's custodians. In order to support BOS, Capital Markets is responsible for (1.) transferring the securities in a timely manner, and (2.) allowing BOS access to data to know once securities have been transferred to FDIC custody, and (3.) Calculating Expected Payments Data and providing the information to BOS so that BOS can verify that all payments are received by the Receivership.</p> <p>The primary source of data for "expected payments" is to use the Bloomberg</p>

	<p>terminal. The Resolutions and Receiverships Specialist responsible obtains the data from Bloomberg.</p> <p>(Job Aid 2.9: Bloomberg Payment Tracking Model) <u>(Flowchart I: Post-Closing Activities: Tracking Payments – Book-Entry Securities)</u></p> <p>When data is not available on Bloomberg, the Resolutions and Receiverships Specialist must gather the data from one of the following sources:</p> <ul style="list-style-type: none"> • Trustee Remittance Reports • Intex.com • Physical Certificates • Paying Agent <p>Expected Payment Worksheets are to be posted on the Securities Cross Functional Sharepoint Site by the Resolutions and Receiverships Specialist. These Worksheets should be posted within 2 weeks of transferring the securities.</p> <p>BOS is responsible for maintaining a tracking report with all Receiverships and the status for receiving payments. Their goal is to obtain payments by the end of the next month following the transfer of securities to FDIC custody, but exceptions are made in situations where securities are encumbered.</p>
	<p>7.) Review purchase price calculations for securities sold to the Acquiring Institution: There are two components of the purchase price which are reviewed by Capital Markets. They are described below:</p> <p>a.) Review Settlement Price (“Cancel & Corrects”): Per Section 3.2 of the Purchase and Assumption Agreement, “if the factor used to determine the par value of any security for purposes of calculating the purchase price, is not for the period in which the Bank Closing Date occurs (see Pricing Worksheet from closing), then the purchase price for that security shall be subject to adjustment post-closing. Under this procedure, after such current factor becomes publicly available, the Receiver will recalculate the purchase price utilizing the current factor and related interest rate” In order to accomplish this task, the Specialist is responsible for recalculating the purchase price and accrued interest and sending the updated calculations to Settlements to either pay or recover the difference from the Acquiring Institution.</p> <p>b.) Review Accounting for Trailing Principal and Interest Payments: Depending on the timing of a bank failure, there may be instances where principal and interest payments were accrued by the failed bank, and not paid until after the closing date (“trailing payments”). It is the responsibility of the Specialist to determine when these instances occur using the record dates and payment dates for the securities sold to the Acquiring Institution.</p>

	<p>This data is available on the Pricing Worksheet from Closing Weekend. When trailing payments are discovered, the Specialist reviews the Proforma Jackets to determine whether or not these payments were calculated correctly and if they were split to the acquiring institution.</p> <ul style="list-style-type: none"> • If the trailing payments were calculated correctly and split to the acquiring institution, no settlement is needed. • If the trailing payments were calculated incorrectly and split to the acquiring institution, then the Specialist should work with the Settlement Manager to recover the difference. • If the trailing payments were not split to the acquiring institution, then the Specialist calculated the amount of trailing payments and recovers that amount by working with the Settlement Manager assigned to that Receivership. <p>(Job Aid 2.8: Updating Payment Instructions for Securities)</p> <p>The Specialist should complete this step and send an updated worksheet to the Settlements Manager for within 30 days of the bank's closing. The Specialist maintains the tracking worksheet to ensure that all banks are reviewed and that an SATF is completed. The updated Tracking Worksheet is sent to Settlements Managers by the 5th of each month.</p>
	<p>5.) Responsible for all reporting regarding Capital Markets activities to parties outside Capital Markets.</p>
	<p>6.) Review 4C Templates to ensure that securities are loaded into 4C using a consistent format. Before templates are loaded into 4C, an email is sent by BIS to the two Capital Markets staff members responsible for reviewing templates stating that the template is ready to be loaded. Capital Markets has two business days to review the template and send an email approving the format or provide formatting changes.</p> <p>(Job Aid 2.4: 4C Template Review Guidelines)</p>
	<p><u>Responsibilities Sales Team Leader/Member:</u></p> <p>In accordance with the FDIC Improvement Act of 1991, it is the policy of DRR to:</p> <ul style="list-style-type: none"> • Maximize the net present value return from the sale or disposition of assets. • Minimize the amount of any loss in the resolution of any cases. • Ensure adequate competition and fair and consistent treatment of offerors. • Prohibit discrimination in the solicitation and consideration of offers. <p>Thus, in order to ensure compliance with policy, Sales Team Members have the following responsibilities:</p> <p>(Flowchart J: Post-Closing Activities: Sales Process)</p>

	<p>1.) Prepare Case to Document Sale: Prior to the liquidation of securities, a case or memorandum must be written that cites and is approved by the appropriate delegated authority. The case must be uploaded into FACTS to document the approval. [CONTROL: SECONDARY REVIEW] Case writing guidelines can be found in DRR Circular 7000.6, entitled <i>Case Preparation</i>.</p>
	<p>2.) Follow Requirements as set forth in Case: Depending on the situation and the authorized signer, cases may have different requirements that the Sales Team must comply with. Examples are as follows:</p> <ul style="list-style-type: none"> • Some cases require the Sales Team members to travel on-site and monitor a sale conducted by a Financial Advisor. • Other cases, such as those granting the approval to use an FDIC Guarantee (ex. Structured Sales), require that the Sales Team members monitor the performance of the transaction, specifically the use of the FDIC Guarantee.
	<p>3.) Monitor Sales Proceeds: The sales team is responsible for ensuring that all sales proceeds are received by the FDIC. The sales team is also responsible for ensuring that cash posting instructions are sent to BOS in order for cash to be applied to specific assets. [CONTROL: SEPARATION OF RESPONSIBILITY] The sales team should also receive confirmation from BOS that the wires were received and follow-up if there are any reconciliation issues.</p> <p>In the event that cash proceeds need to be allocated to multiple receiverships (e.g. Structured Sales), the Sales Team is responsible for making sure that the allocation method is properly documented. The allocation method should be approved and signed off by the Assistant Director, Capital Markets.</p> <p>[CONTROL: SECONDARY REVIEW]</p>
	<p>4.) Monitor Contractors: When a contractor is engaged and the Sales Team Member is named as the Oversight Manager (OM) or Technical Monitor (TM) for the contract, the Sales Team is responsible for monitoring the contractor's performance. The Division of Administration's Acquisition Services Branch will notify staff members of their appointment as OM or TM for a contract and will also ensure that the OM's/TM's are adequately trained. Even if the Sales Team does not serve as an OM or TM, there are several aspects of the contract that the person should monitor. They are as follows:</p> <p>a.) If the contractor is hired to conduct selling, then the Sales Team must review and sign-off on reserve pricing set by the contractor. The Sales Team Member also document instances when the Sales Team chooses to accept a bid below reserve. [CONTROL: SECONDARY REVIEW]</p> <p>b.) The Sales Team must also ensure that any bidders solicited by the Sales Team are "Qualified" under FDIC guidelines. See #12 below.</p> <p>c.) The Sales Team must review any calculations performed by the contractor</p>

	<p>and ensure that they are accurate. For example, when the contractor is hired to conduct selling, the Sales Team must reconcile calculations prepared by the contractor to the wires remitted to the FDIC. [CONTROL: RECONCILING SALES PRICES TO INCOMING WIRES]</p> <p>d.) Also, the Sales Team must monitor the terms of the contract in terms of compensation and reviewing contractor invoices submitted to FDIC for payment for reasonableness. The Sales Team should communicate any issues that would affect pricing to the OM and TM who is responsible for paying the invoices. [CONTROL: SECONDARY REVIEW]</p>
	<p>5.) Ensure Bidders are “Qualified”: The Sales Team is also responsible for ensuring that Bidders have an up-to-date PEC (Purchaser Eligibility Certification) and Pre-Qualification Request Form filed with the FDIC. These forms can be found on the FDIC website at http://www.fdic.gov/buying/financial/qualification_process.html. Approved PEC files are maintained by DRR Special Programs Group.</p> <p>*If a contractor is conducting sales, ensure that all bidders comply with the PEC requirements.</p>
	<p>6.) Monitor Transition Period Principal and Interest Payments: When a Custodian other than FHLB NY is used for the sale, the Sales Team is responsible for ensuring that any principal and interest payments received by the Custodian are forwarded to the FDIC. The Sales Team should also take steps to ensure that the principal and interest payments are accurate and they should coordinate with the Specialist responsible for tracking payments, where applicable. The Sales Team is also responsible for following-up with the Custodian in the event of a discrepancy.</p>
	<p><u>Responsibilities of the Capital Markets Manager:</u></p> <p>For internal control purposes, a Capital Markets Manager acts as a secondary reviewer and approver in several circumstances as outlined below:</p>
	<p>1.) Sign and approve Sales cases in FACTS with the appropriate delegated authority. [CONTROL: SECONDARY REVIEW].</p>
	<p>2.) Review Reconciliations:</p> <p>a.) Approves reconciliation of Capital Markets Inventory listing to FDIC Custodian’s Safekeeping Statement, monthly when prepared by Specialist responsible. [CONTROL: SECONDARY REVIEW]</p> <p>b.) Approves weekly reconciliation of Capital Markets Inventory listing to 4C, when prepared by the Specialist responsible. [CONTROL: SECONDARY REVIEW]</p>
	<p>3.) Approve In-House Auctions: When auctions are conducted in-house, the Capital Markets Manager approves and signs off on several different aspects of</p>

	<p>the auction as follows: [CONTROL: SECONDARY REVIEW]</p> <p>a.) Approve Bidder List: Reviews bidder list to ensure sufficient coverage of MWOB's (Minority Women Owned Businesses), and both large and smaller investors.</p> <p>b.) Approve Sales List: Approves list of assets and reserve prices prior to auction.</p> <p>c.) Approve Sales Price: Post-auction reviews the sales prices and approves and documents circumstances where Capital Markets chooses to sell for under-reserve.</p>
	<p>4.) Review Capital Markets Receivership Manager Checklists: Review the checklists and supporting documentation to ensure that the tasks of managing a receivership such as transferring securities and updating payment instructions have been completed.</p> <p>(Job Aid 2.7: Capital Markets Receivership Manager Checklist)</p>
	<p>5.) Oversee year-end valuation process: Assign staff members to asset types for the responsibility of valuing portfolios or overseeing FAs providing valuations.</p> <p>Note: See external reference, FDIC Asset Valuation Reference (FAVR), for additional detail regarding year-end valuations.</p>

2. SECURITIES JOB AIDS

A. SECURITIES

2.1 Job Aid: Pre-Close & Closing Valuation Guidance

***Job Aid to be used by the “Capital Markets Valuation Team

Upon request, Capital Markets provides a securities portfolio valuation to assist in the marketing of the troubled financial institution. Listed below are the steps for providing a securities portfolio valuation:

- 1.) Receive request for pricing.
- 2.) Create valuation spreadsheet (see Format below).
- 3.) Value using an approved pricing source. The approved pricing sources are determined by Franchise Marketing, Headquarters. Capital Markets uses RemotePlus (FTID) and then Bloomberg as the source for securities not priced by Remote Plus. In rare exceptions, depending on the types of securities involved, Capital Markets hires Financial Advisors to perform the valuation. These decisions are approved by either the Capital Markets Manager or Franchise Marketing. Under certain circumstances RemotePlus and Bloomberg may show pricing for securities that are calculated from discounted cash flow models. These securities, private mortgage-backed or asset-backed securities (including collateralized debt obligations) and other structured finance securities, do not regularly trade in the secondary markets and the discounted cash flow model pricing levels on RemotePlus and Bloomberg are not necessarily indicative of actual trading price levels. For these securities Capital Markets reviews the securities using other resources like Intex or Financial Advisors.
- 4.) For securities where a value is not available from RemotePlus and Bloomberg, the securities are valued by the Capital Markets Valuation Team (see below for Valuation Guidance).
- 5.) Return completed valuation to requestor by email. A Capital Markets Manager is always copied on the returned valuation.

Standard Format for a Valuation Spreadsheet:

- Use MS Excel
- Include: CUSIPS, SECURITY DESCRIPTION, ORIGINAL FACE/PAR VALUE, BANK’S BOOK VALUE (IF AVAILABLE)
- Retrieve PRICE, PRICE DATE, FACTOR, FACTOR DATE, AGENCY RATING, COUPON RATE, POOL NUMBER, COLLATERAL TYPE and any other information that may be requested from RemotePlus (FTID), Bloomberg, or other data source provider.

- Calculate the Market Value for the securities.
- Note securities that have “Paid Off”/“Matured”
- Using guidance from Franchise Marketing, Headquarters, identify the securities that will likely “Pass” to the Acquiring Institution or be retained by the FDIC in the transaction offered to franchise bidders. (The final decision is determined by Franchise Marketing when writing the Purchase and Assumption Agreement and Proforma who carries out the instructions in the Purchase and Assumption Agreement. Typically, securities without investment-grade credit ratings (i.e. below BBB/Baa) or with Bloomberg or RemotePlus pricing that is calculated from a model valuation are not passed to the Acquiring Institution.

INTERNAL VALUATION GUIDANCE:

- 1.) Conduct Research to Identify the Security.**
- 2.) Obtain more information about Security by searching on Bloomberg, IDC, S&P’s Cusip Bureau (e.g. CUSIP Query), SNL Financial, U.S. Securities and Exchange Commission’s EDGAR (“Electronic Data Gathering, Analysis and Retrieval”) system and the Internet about the security. Additional pricing resources include the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) site, Bondview, etc.**
- 3.) Using information available, develop a valuation strategy:**
 - a. Current Trade Data:** For other securities, the Valuation Team may reach out to various trading desks to obtain any current trade data. Judgment is used to determine if, based on the security type, the trades are representative of current market value.
 - b. Modeled Pricing:** For some securities, modeled prices are available through the FDIC’s subscriptions with Bloomberg or IDC. If these modeled prices are available, the Valuation Team may evaluate the methodology, taking into account current interest rate projections, projected loss and prepayment speed projections, delinquency and default loss assumptions, general economic environment, projected cash flow yield calculations and other considerations. Certain types of structured finance securities may be more accurately priced through these models than others. Ongoing knowledge of the relevant market and communication with the market participants should help in determining accuracy of these pricing models.
 - c. Comparative Securities (COMPS):** If the Capital Markets Valuation Team cannot find a current trade, or other reasonable pricing estimate for a security, it may calculate the security’s price by comparing it to other similar securities whose prices can be readily obtained (the COMPS). By comparing similar

characteristics of the COMPS such as issuer type, asset type, issuer or asset's geographic location, coupon, collateral type, etc. the Valuation Team may be able to calculate a comparable price for its security. Relationships with national and regional broker dealers, investors and other financial services industry participants is critical for the Valuation Team to have in order to access timely, candid and detailed information regarding COMPS.

1. For example, for a bank trust preferred security ("TruPS") the Capital Markets Valuation Team could identify a bank or group of banks with empirical market prices for securities that are considered COMPS. The COMPS are then used to determine a relative value for the security in question. The Valuation Team could consider factors such as public credit ratings and current CANARY or CAMELS ratings. Once a relative credit risk is established between the COMPS and the security in question, comparison of the terms and conditions of the securities, coupons, duration, call features, etc. are used to calculate a price compared to the COMPS. A similar process can be used for equities and other types of debt securities.

4.) Document valuation methodology on the Capital Markets Sharepoint Site. Documentation consists of computer screen shots, short write-ups, cash flow worksheets, etc.

A. SECURITIES

2.2 Job Aid: Pre-Closing Inventory Analysis & Preparing an SRP

This job aid provides a reference of the activities to be performed by Capital Markets Functional Manager (CMFM) during the pre-closing phase for an institution in the resolution process. These activities relate to the institution's portfolio of securities, syndicated loans, syndicated limited partnerships, and Qualified Financial Contracts (QFCs). Many of the documents needed may have been obtained by Franchise Marketing and posted to the institution's SharePoint site, on the DRR Open Bank sites. If information is missing, the CMFM should work closely with the FAMB team member(s) who are currently on-site at that institution to obtain the necessary information.

***Note that the relevance of information in the SRP is subjective. The CMFM will want to use judgment and experience to determine the issues to bring to the RIC's and CM's attention. If there are no issues, the CMFM should specify that in the SRP.

Steps for Preparing the SRP:

- 1.) Receive Request:** For each closing, the CMFM will receive a request from the Receiver-in-Charge (RIC) or the Closing Manager (CM) to prepare an SRP.
- 2.) Analyze Documentation for Securities:**
 - a.) Obtain a Copy of the most recent inventory by checking SharePoint under: DRR Open Bank Sites > "*Bank Name*" > Shared Documents > ASSETS – SECURITIES
 - b.) Make sure the pre-close inventory is priced by the Capital Markets Specialist responsible for pricing. (Job Aid 2.2: Pre-Closing & Closing Valuation Guidelines)
 - c.) Review the bank's Call Report and most recent 10Q/10K (<http://edgar.sec.gov>) to verify the scale and scope of securities listed in the portfolio relative to the disclosures in the call report.
 - d.) Review the bank's most recent General Ledger by checking SharePoint under: SharePoint Site – DRR Open Bank Sites > "*Bank Name*" > FINANCIAL STATEMENTS to verify the size and scope of the securities listed in the portfolio relative to the GL.
 - e.) Depending on the assets, consider researching securities on Bloomberg for issues such as calls, sinking fund payments, or incorrect cusips.

Possible Securities Issues to note in SRP:

- If there's a significant amount of physicals, consider sending someone onsite.
- If securities aren't priced, then note that they should be retained. If there's a significant amount, consider sending someone onsite.
- Given current sales strategies, note if there are any securities that would be difficult to liquidate.

3.) Analyze Documentation for QFC's:

- a.) The quickest way to determine if the bank has QFC's is to check Sharepoint for a letter from the financial institution. The letter can generally be found on Sharepoint Site – DRR Open Bank Sites > “*Bank Name*” > Shared Documents > ASSETS – SECURITIES > QFC'S, although sometimes QFC information can be found in the CONTRACTS & LEASES, CLAIMS, or OTHER LIABILITIES folders.
- b.) If the bank has QFC's, obtain a copy of the most recent QFC Inventory by checking SharePoint under: SharePoint Site – DRR Open Bank Sites > “*Bank Name*” > Shared Documents > ASSETS – SECURITIES > QFC'S. Within the QFC folder, identify Table A1, Table A2, trade confirmations, and applicable legal agreements (See Section E. Qualified Financial Contracts (QFC's) - Part 371). Review the agreements (e.g. ISDA master and/or other applicable agreements), which govern the outstanding QFC transactions in Table A1. Identify the address of the counterparty for the purpose of notification. As needed, consult Legal on interpretive matters.
- c.) Review the bank's Call Report and most recent 10Q/10K (<http://edgar.sec.gov>) to verify the scale and scope of QFCs listed in the portfolio relative to the disclosures in the call report or general ledger. Call Report line items that should be reviewed include the following:
 - Repos – Schedule RC, line 3.b.
 - Reverse Repos – Schedule RC, line 14.b.
 - Derivatives:
 - Credit - Schedule RC-L, lines 7.a.1-4
 - Interest Rate - Schedule RC-L, line 13
 - Forex - Schedule RC-L, line 13
 - Equity - Schedule RC-L, line 13
 - Commodity/Other - Schedule RC-L, line 13
- d.) Review the bank's most recent General Ledger by checking SharePoint under: SharePoint Site – DRR Open Bank Sites > “*Bank Name*” > Shared Documents > FINANCIAL STATEMENTS to verify the size and scope of the QFC's listed in the portfolio relative to the GL.
- e.) Obtain the QFC trade confirmations and compare these documents with the transactions identified in Table A1 to ensure completeness.

Possible QFC Issues to note in SRP:

- Determine which securities are pledged as collateral for QFC's, if any. This helps FAMB decide if the securities should be passed to the acquirer or excluded per the Purchase and Assumption Agreement, since, under the law, all collateral for QFCs must “follow” the QFCs.
- Determine who the counterparties are. This helps FAMB decide if securities should be passed to the acquirer or not, as QFC's must pass on a counterparty (and all affiliates) basis.

- 4.) Analyze Documentation for Syndicated Loans and Syndicated Limited Partnerships:** If there are Syndicated Loans and Syndicated Limited Partnerships, Capital Markets would be notified by FAMB and may be asked to assist in an advisory capacity during pre-closing or asked to be onsite during the closing. In this instance, the CMFM should coordinate with the Sales Team.
- 5.) Prepare SRP and submit to RIC/CM:** While the format for the SRP is up to the CMFM's discretion, at a minimum the SRP should include a summary of the securities, their potential disposition strategies, the QFC's, and mention any significant issues that would impact the closing.

A. SECURITIES

2.3 Job Aid: Closing Interview Guide

The purpose of this job aid is to assist the Capital Markets Functional Manager with asking questions and obtaining information on-site. This job aid does not need to be completed in the form of an interview, but can also be given to the financial institution employees as a guide for the information that they will be asked to provide.

The point of contact for securities and QFCs may be different depending on the size and complexity of the institution. The QFC point of contact is determined in advance when the institution receives its QFC recordkeeping notice letter. Current information on securities is typically obtained from the closed institution's Chief Financial Officer, Controller or Treasurer and their staff. It is important to interview those responsible for the closed institution's securities and QFCs as soon as possible after closing, to ensure that all available information on these assets is captured.

Objectives:

1.) Identify all securities held by the failed institution at closing. Obtain a schedule of securities held at closing from the failed institution's personnel. The following required information must be included on the schedule or inventory of securities:

- CUSIP Number
- Name and Description of Security
- Original Par or Face Amount
- Current Par Amount (if available)

Other helpful information includes:

- Book Value at Closing Date
- Coupon Rate (if applicable)
- Yield (if applicable)
- Maturity Date (if applicable)
- Number of Shares (if applicable)
- Pool Number (for Mortgage-Backed Securities)
- Series and Class (for Collateralized Mortgage Obligations)
- Indication whether security is pledged or encumbered
- Name of safekeeping agent (if applicable)

2.) Determine whether there are any trades outstanding. If so, obtain copies of trade confirmations, and counterparty contact information. These trades are QFCs. Review Purchase & Assumption Agreement concerning treatment of QFCs.

3.) Obtain safekeeping reports, broker statements and relevant contact information from the institution employees familiar with the institution's securities. Check whether the safekeeping reports and broker statements agree with the securities listing provided by the institution, and confirm securities listing back to the general ledger. Research and resolve any discrepancies.

- 4.) Determine the location of all physical securities held by the failed institution at closing.**
Check the institution's safekeeping vault, collateral files and collateral vault, as well as outside counsel and safekeeping agents that may hold securities for the institution. Try to obtain all documentation for the issue, ex. certificates, ordinances, indentures, resolutions, and a contact at the issuer and bond counsel.
- 5.) Also, inquire if the company participates in any other securities that may fall under a different General Ledger account such as Syndicated Loans or Syndicated Limited Partnerships, VISA Stock, bank stock, or other.**
- 6.) Interview institution staff and the QFC point of contact to obtain information concerning Master Agreements, hedging activity, the clearing and settlement process, and key counterparty contacts:**

Some specific QFC interview topics to cover:

- a.) Determine if there are any new, modified or terminated QFC positions since the reporting was last provided to FDIC.
- b.) Obtain an updated Table A1 and A2 report as of COB (on the date of bank closing), request that the QFC POC include an update of MTM values for QFC positions and all collateral.
- c.) Confirm or obtain any available e-mail, fax and phone contact details for all counterparties (emphasis on fax and e-mail so FDIC can confirm immediate receipt within our one business-day notification deadline).
- d.) Obtain contact details for Safekeeping Agent and Custodian for all QFC collateral. Note whether the collateral location is different versus any other securities held.
- e.) Have the contact provide any details on the MTM methodology and assumptions used in valuing the QFC positions, this may prove helpful to understand the valuation methods of the counterparty – or any gaps due to differences in MTM assumptions.
- f.) If there are any exotic QFC products, obtain specifics on the purpose of the product, how the product is treated by the accounting team and copies of key documents provided to customers (e.g. structured CD products) and counterparties.
- g.) For any exotic product, it is helpful to request from the QFC point of contact all of the actual GL entries used at the bank for a given product since this may benefit the pro forma team if/when the product is terminated.

A. SECURITIES

2.4 Job Aid: 4C Template Review Guidelines

The 4C Template is a standard MS Excel file that is prepared for every bank closing. The file is populated with securities data and uploaded into 4C post-closing. The purpose of this job aid is to provide guidelines when preparing and reviewing the 4C template for formatting, prior to it being uploaded into 4C by BIS.

	<ul style="list-style-type: none"> The Management Site Code should be equal to 001-Washington
	<ul style="list-style-type: none"> Asset Names should conform to guidelines including: <ul style="list-style-type: none"> If Agency securities, need to have Pool or Remic Numbers If Municipal securities, need to have CUSIP numbers Ensure that no two assets have the same name.
	<ul style="list-style-type: none"> Check Asset Sub-Types; see Capital Markets Guidelines tab (in Template Excel File) and Pricing worksheet to verify.
	<ul style="list-style-type: none"> Check Security Types; see Capital Markets Guidelines tab (in Template Excel File) and Pricing worksheet to verify.
	<ul style="list-style-type: none"> Each FDIC Retained security should have a Marketing Strategy Code. The code used should be either: <ul style="list-style-type: none"> 8 FHLB or FRB Stock 9 – Pending Pooling and Review
	<ul style="list-style-type: none"> All CUSIP numbers should be either populated with the real CUSIP (no dummy CUSIP), N/A (for things like physicals or CRA funds), or left blank (should be used rarely, when they genuinely don't know).
	<ul style="list-style-type: none"> Original Face Value or # of Shares or Units field should be populated.

A. SECURITIES

2.5 Job Aid: Transferring Book-Entry Securities

The purpose of this job aid is to outline the steps involved when transferring book-entry securities to the FDIC's Custodian.

1. Identify the failed bank's Custodian/Safekeeping Agent for FDIC Retained Securities.
2. Request Safekeeping Statement from the failed bank's Custodian and reconcile the statement to the 4C Template.
3. Ensure that all pledged securities are released and there are no other encumbrances that would prevent transfer. If assistance is required getting pledges released, ask the Specialist responsible for transfers for guidance.
4. Request Delivery Instructions from the failed bank's Custodian.
5. Draft an organized email with all of the information that you have gathered including the following: (1) Safekeeping Statements, (2) Delivery Instructions, and (3) any pledge related information. Send the email to the Specialist requesting a transfer.
6. Wait to receive Delivery Instructions from the Specialist who reconciles the safekeeping statement to the transfer request and coordinates the delivery with DOF, Treasury Manager.
7. After Delivery Instructions are received, send instructions to failed bank's Custodian(s) and ensure all paperwork is completed so that the bonds will be transferred on the specified date. The necessary paperwork and procedures will differ for each Custodian.
8. Receive confirmation from DOF, Treasury Manager that securities have been received.

A. SECURITIES**2.6 Job Aid: Shipping Physical Securities**

The purpose of this job aid is to provide an outline of the proper procedure when shipping physical securities to FDIC Headquarters for safekeeping.

1. When a physical security is located, make arrangements to ship it to the Division of Finance so that it can be stored in the Vault.
2. Using a delivery service (see notes below) with tracking number, such as UPS or FedEx, ship only the physical securities (do not send supporting documentation) to:

Federal Deposit Insurance Corporation

(b)(6) Attn: **John E. Johnson**, [redacted]

3501 Fairfax Drive

Arlington, VA 22226-3500

(USE ATTACHED COVER SHEET)

3. Send email to [redacted] (DOF-Treasury Manager) letting him know to expect a shipment. Copy [redacted] and [redacted] on this email. This email should include: (1) failed bank name, (2) FIN no., and (3) list of securities being shipped.

4. Send supporting documentation (Prospectus, Private Placement Memorandum, Official Statements, Ordinances, Valuation files, etc.) in a separate shipment to:

Federal Deposit Insurance Corporation

(b)(6) Attn: **Lindsay Cloc**, [redacted]

550 17th Street, NW

Washington, DC 20429

5. Receive confirmation email from DOF, Treasury Manager that your shipment was received. If more than one security is being shipped, reconcile inventory list to the securities listed in the confirmation email.

Notes:

- If you have any questions, please direct them to Capital Markets representative.
- In order to ensure we maintain proper control of physical securities, please do not ship securities to anywhere other than to the DOF-Treasury Manager without written permission from [redacted] (b)(6) or [redacted].
- As a general rule, it is not necessary to use insurance when shipping physical securities since given current securities transfer requirements; it is difficult for individuals to succeed in fraudulently endorsing securities made out in the name of a bank or other corporation. There could be exceptions (ex. bearer bonds), so use your best judgment and consult a Capital Markets representative if you are concerned.
- If shipping physical securities and executed bond powers, general practice is to ship the securities and bond powers in two separate packages.
- If securities are lost, notify a Capital Markets representative. Capital Markets will contact the Transfer Agent, both to prevent the transfer of the missing security and to request the issuance of a new certificate. If an indemnity or surety bond is required in order to obtain a replacement security, DRR's Delegations require legal concurrence.

Ship Physical Certificates ONLY to:

Federal Deposit Insurance Corporation

 Federal Deposit Insurance Corporation
 Attn: John E. Johnson, [redacted]
 3501 Fairfax Drive
 Arlington, VA 22226-3500

(b)(6)

Coversheet**PHYSICAL SECURITIES
SHIPMENT****Mail all other documents to:**
 Federal Deposit Insurance Corporation
 Attn: Lindsay Cloe, [redacted]
 550 17th St NW
 Washington, DC 20429-0002

(b)(6)

Date:**Receivership Fund Id:****Bank Name:**

(b)(4),(b)(5)

Itemized Inventory:

Asset Name	Cusip <small>(if applicable)</small>	Original Face Value Or Number of Shares

Shipped By: John Doe**Print Name:****Email Address:****Date:** 1/15/2011**Received By:****Date:** 1/15/2011

A. SECURITIES**2.7 Job Aid: Capital Markets Receivership Manager Checklist****Receivership Name:** _____**FUND ID:** _____**Capital Markets Receivership Manager:** _____

CMRM Initials	Task
	1.) By initialing this box, I verify that I have obtained custody of all of the FDIC Retained Securities in my Receivership. The following supporting documentation are attached; <ul style="list-style-type: none"> • Book-Entry Securities: Copies of third-party Safekeeping Statements • Physical Securities: Copies of physical certificates • Not-Certificated Securities: Other supporting documentation.
	2.) By initialing here, I verify that I have submitted updated payment instructions for all physical and not certificated securities in this portfolio. The supporting documentation is attached.

Note: Detailed descriptions of the above tasks can be found in Section 1.4 Capital Markets Receivership Manager Responsibilities.

Approved by:

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Capital Markets Manager	Date
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(A copy of this completed form should be kept by the CMRM and the Capital Markets Manager)

A. SECURITIES**2.8 Job Aid: Updating Payment Instructions for Securities**

When the FDIC retains physical or not-certificated securities, it is necessary from the CMRM to send a notification letter to the Paying Agent/ Trustee/ or Registrar requesting that future payments be sent to the FHLB NY or to the lockbox. The instructions are as follows:

For Receiverships by Wire:

(b)(5) Bank: Federal Home Loan Bank of New York
 (b)(5) Routing # [REDACTED]
 (b)(5) For Credit to: FDIC National Liquidation Account
 (b)(5) Account #: [REDACTED]
 Other Beneficiary Information (OBI):

1. Fund Number
2. Asset ID (or CUSIP number)
3. Account Officer
4. Description, ex. Principal and Interest on Security

For Subsidiaries by Wire:

(b)(5) Bank: Federal Home Loan Bank of New York
 (b)(5) Routing # [REDACTED]
 (b)(5) For Credit to: FDIC National Subsidiary Account
 (b)(5) Account #: [REDACTED]
 Other Beneficiary Information (OBI):

5. Subsidiary Fund Number
6. Asset ID (or CUSIP number)
7. Account Officer
8. Description, ex. Principal and Interest on Security

For Receiverships by Check:

(b)(5) Federal Deposit Insurance Corporation
 (b)(5) P.O. Box [REDACTED]
 (b)(5) Dallas, TX 75397- [REDACTED]
 Request that Supporting Documentation be included.

For Subsidiaries by Check:

(b)(5) Federal Deposit Insurance Corporation
 (b)(5) P.O. Box [REDACTED]
 Dallas, TX 75313
 Request that Supporting Documentation be included.

For principal and interest payments received on any securities during the transition period (between the bank's closing date and when the securities are transferred to FDIC custody), or for trailing payments on securities sold to the Acquiring Institution, there are two options regarding payments.

- a. Provide instructions to the failed bank's Custodian/Safekeeping Agent to either wire the funds to FHLB NY or mail a check to the lockbox (see instructions above).
- b. Coordinate with the Settlement Manager (**Flowchart D. Example Bank Closing Organizational Chart for Failed Bank**) and ensure that an accounting entry is made for the payments. Keep a copy of the SATF form for your records.

Best Practices Hint:

Consider calling the registrar/paying agent and explaining the situation and establish yourself as the contact person before sending the letter.

A. SECURITIES

2.9 Job Aid: Bloomberg Payment Tracking Model

***Job Aid to be used by the “Specialist responsible for Bloomberg data”

The purpose of the Bloomberg payment tracking templates is to utilize Bloomberg API data feed. By doing so all payment tracking calculations are done using Bloomberg data instead of calculating the figures by hand. This greatly reduces the time spent on payment tracking as well as avoids math errors.

How to use the Bloomberg payment tracking template:

Priceable Securities - Securities on Bloomberg

1. Obtain list of retained securities from either:
 - Capital markets inventory list
 - Securities inventory spreadsheet from closed bank site
(Make sure you have 4C asset ID numbers)
2. Save the list on a flash drive for use on the Bloomberg terminal.
3. Identify the asset type of the security (MBS, municipal bond, agency, or corporate) then open the respective Bloomberg template on the Bloomberg terminal.
 - Set aside non-priceable securities since data is not on Bloomberg
 - Always enable macros
4. Copy and paste into the Bloomberg model on the setup tab the following:
 - (Limit of 205 securities per type)
 - 4C ID: Copy and paste into column A
(The 4C column allows for data entry in any form 4C ID, CUSIP, or issuer name. Data must be entered in order to create tabs)
 - CUSIP: Copy and paste into column B
 - Original amount: Copy and paste into column H
 - Settlement date: Enter in YYYYMMDD format. The date will need to be adjusted from the failure date of the bank- MBS 1 month ahead and first of the month, corp/treasuries first of the month, muni date of failure into column I.
 - Liquidation date: Copy and paste into column J. Leave blank if security has not been liquidated yet
 - In row 2 Columns F, G, H: enter bank name, fund ID, and specialist's name
5. Click create 4C ID tabs. You will be prompted to save the spreadsheet. Save the spreadsheet as Fund # bank name asset type payment tracking.
(10999 Anywhere Bank Municipals Payment Tracking)
6. Double check each tab to ensure the first payment date is correct. If not then adjust the settlement date backwards, cell E2 in the tab, to obtain the proper first payment date.
 - Corporate bonds and treasuries templates require enter to be pressed in the formula bar for cell C5 in order for the Bloomberg function to retrieve the data.

7. Look over at data in each tab:
 - Error message “invalid security” appears for 2 reasons: not a real cusip or the wrong template was used
 - Error message “#N/A N/A” appears because the MBS is paid off
 - >If a MBS is paid off no data will appear in the tab, pull up the PDD screen for that CUSIP. Change the original balance to the amount owned by the FDIC, found in cell F2. Enter the principal and interest data manually. Enter Date in column C, Interest in column E, and principal in column F. In cell B4 delete the formula.
 - Usually only MBS will need manual entering of data. The other securities typically display less dates then expected, ex: a muni displaying 3 semi-annual interest payments when it matures 10 years from bank failure, due to call or maturity. Looking at the DES, PDD, CSHF, or CFT screen will provide you the answer if a tab seems to be missing data.
8. After double checking the tabs click the hard code 4C asset ID tabs button on the setup input tab.
 - (If you don't click the hard code 4C ID tabs button the data won't be viewable on your laptop)
9. After hard coding save the file again.
10. From your laptop open the file and click the roll-up tab. Click hide unused rows button then click the calculate roll-up button. Click save to keep the calculations in the tab.
 - (Roll-up tab data is only viewable from your laptop. You won't be able to see roll-up calculation on the Bloomberg terminal.)

Notes:

Corporate template tracks trust preferred securities

Treasuries template tracks agency bonds

If you are getting an error message try pressing enter in the formula bar for that cell

The date in the roll-up tab represents the month as a whole

Column I1 in the roll-up tab summarizes all of the securities payments. It will be accurate when a liquidation date is entered, otherwise, the function sums 60 months including projected payment data.

Non-Priceable Securities – Securities not on Bloomberg

- Trust Preferred Securities:

If not priceable on Bloomberg contact Capital Markets Team Valuation Member

- Limited Partnerships:

Pass all information to the limited partnership team for research, analysis, valuation, and distribution tracking

Contact: Capital Markets Valuation Team Member or the Capital Markets Specialist assigned to the Syndicated Limited Partnerships product line.

- Bank Stock:

Contact the Capital Markets Specialist assigned to the bank stock product line.

- Physical Municipal Bonds:

Calculate the interest by hand

Contact Capital Markets Specialist assigned to the municipal bonds product line.

B. SYNDICATED LOANS

3. SYNDICATED LOANS GUIDANCE

B. SYNDICATED LOANS

3.1 Definition of a “Syndicated Loan”

“Syndicated Loans” are loans made, respectively, by two or more lenders contracting directly with a borrower under the same credit agreement. Syndicated Loans are often confused with loan “Participations.” However, Syndicated Loans differ from loan Participations in that the lenders in syndication participate jointly in the origination and lending process; as opposed to one originator (commonly called the “lead bank”) selling to third parties (“participants”) undivided participation interests in the lead bank’s lending commitment and loans to the borrower. (Syndicate lenders may, however, acquire their interests in a credit facility through assignment from one of the original lenders.) In a syndicated transaction, each lender has a direct legal relationship with the borrower and receives its own promissory note(s) from the borrower (if the credit agreement provides for borrowings to be evidenced by notes), while in a Participation relationship the lead bank is commonly the only direct lender to the borrower and, therefore, the sole payee for the entire amount loaned. In the latter arrangement, the rights of those purchasing participations are routinely set forth in a “participation agreement,” which may be titled – or provide for one or more other documents titled – “participation certificate.” Under syndication, typically one or more lenders will also take on the separate role of agent for the credit facility and assume responsibility of administering the loans for the other lenders. Syndications may include administrative agents, collateral agents, or other syndicate agents.

A syndicated credit agreement often includes multiple credits or “tranches,” such as one or more term loan facilities as well as a revolving credit facility. Each facility commonly entails a commitment to lend (and if a revolving loan is repaid, to re-lend) on one or more occasions prior to a specified expiry date. Also, a revolving credit facility will commonly include a sub-commitment of one or more lenders, designated as “issuing banks,” to issue letters of credit (“LCs”) for the borrower’s account. Each syndicate lender is usually obligated to purchase a pro rata Participation from the issuing bank in any draws under the LCs that are not reimbursed by the borrower or to make loans on a pro rata basis to reimburse the issuing bank for those draws. Additionally, syndicated revolvers sometimes include a “swingline” sub-facility, allowing or obligating the lender that is also the agent (“swingline lender”) to make certain loans exclusively, but obligating the other lenders to participate in those loans at the swingline lender’s option or automatically upon the occurrence of an event of default.

The Guidance and Job Aids assume that Capital Markets personnel are able to identify or learn of Syndicated Loans either at the pre-Closing or Closing phase of resolution. However, it should be emphasized that often this may not be the case and, therefore, the reader should view the disposition process for Syndicated Loans more as a continuum than as a series of steps isolated by the various phases of the resolution process and the related Guidance and Job Aids should be interpreted accordingly.

B. SYNDICATED LOANS

3.2 Pre-Closing Guidance

Capital Markets is responsible for the disposition of all Syndicated Loans for the FDIC that are acquired from failed financial institutions, with a focus on providing the best value to the receivership. The guiding principle in disposing of Syndicated Loans is that, as a general matter, an immediate sale or settlement of the loan should help avoid funding and repudiation issues, as well as other asset management issues likely to arise or increase in number or complexity over time, saving considerable legal and administrative expense.

Fundamental to this process, the Capital Markets Functional Manager assigned to the closing team is responsible for helping the Syndicated Loans Sales Team to obtain all relevant information and documents regarding Syndicated Loans. The responsibilities with regard to Syndicated Loans pre-close are outlined below:

	<p><u>Responsibilities of Syndicated Loans Sales Team Pre-Closing:</u></p> <p>1.) Identify Syndicated Loans: The Syndicated Loans Sales Team is notified by FAMB when Syndicated Loans are found at financial institution. Team Leaders or contractors identify and gather information about Syndicated Loans by asking bank management questions, found on the “Information Request List.”</p> <p>Franchise Marketing should also have done a quick review of participations that are identified to ensure that Syndicated Loans are not mistakenly included amongst participations.</p> <p>If these questions or reviews confirm the existence of Syndicated Loans, then Franchise and Asset Marketing will contact the Syndicated Loans Sales Team notifying them that the upcoming closing will have Syndicated Loans. If Syndicated Loans are identified Pre-Closing, the prospective Closing Manager for the bank (See Bank Closing Organizational Chart) notifies the Manager, Capital Markets (or his designee) of the same, whereupon (unless already done) the latter assigns a CMFM to the bank (“Functional Manager”).</p>
	<p>2.) Analyze Syndicated Loans: Once Syndicated Loans are found at a financial institution, then the Team Leaders follow-up by asking questions in DRR’s Information Request Form (“Request Form”), and by any other data-collection means available, including reviewing loan information downloads and/or loan files. It is likely, however, that bank management may be the best resource for initially identifying Syndicated Loans, since loan systems generally appear unreliable in that regard. This information is communicated to the Syndicated Loans Sales Team so that they can start planning for the asset.</p> <p>(Job Aid 4.1: FDIC Information Request Form for Syndicated Loans)</p>

	<p>If the bank has Syndicated Loans, the most critical information to be obtained at this stage of the resolution process is:</p> <ul style="list-style-type: none"> • Does the bank act as Agent for any Syndicated Loan facilities? • What are the nature of the facilities and the tranches of debt: (i) revolving and/or (ii) term? • Are there any related unfunded commitment obligations? <p>Team Leaders or contractors attempt to address not only the critical questions noted above, but, if possible, those listed in the Request Form and in the priority noted on the Form.</p>
	<p>3.) Upload Documentation on SharePoint: All information gathered by DRR employees and contractors regarding Syndicated Loans is uploaded by them to FDIC's dedicated SharePoint site for the bank.</p>
	<p>4.) Inventory Documentation: The Syndicated Loans Sales Team will inventory all documentation available related to the Syndicated Loans owned by the financial institution and identify any missing information. The documentation needed normally includes the underwriting, credit, correspondence, note, collateral, and legal files. If documentation is missing, the Syndicated Loans Sales Team should coordinate with the Team Leader pre-close and the Capital Markets Functional Manager or PCAM to obtain that documentation during closing weekend.</p>
	<p>5.) Provide Commentary for SRP: Upon request of the Closing Manager for the bank (See Bank Closing Organizational Chart), the CMFM consults with the Syndicated Loans Sales Team and provides appropriate commentary regarding the Syndicated Loans for purposes of the Strategic Resolution Plan (SRP) for the bank.</p> <p>(See Job Aid: Pre-Closing Inventory Analysis & Preparing an SRP)</p>
	<p>6.) Consult Legal: The Syndicated Loans Sales Team should have a preliminary conversation with FDIC-Legal¹ regarding any agented deals or unfunded commitment situations.</p>
	<p>7.) Retain Financial Advisor: The Syndicated Loans Sales Team should retain a financial advisor <i>as soon as the Syndicated Loans have been reasonably well identified</i>, to perform due diligence and value the loans. At this stage, the primary focus of the advisor is to work with Capital Markets to obtain as much relevant due diligence information as possible.</p>

¹ References to "FDIC-Legal" in the provisions of this manual that cover syndicated loans are primarily to the Special Issues Unit of FDIC-Legal (DC).

	8.) Provide Advisory Support: Franchise Marketing may consider marketing Syndicated Loans as part of the franchise marketing process in which case the SYNLP's Sales Team may be asked to provide advisory support.
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B. SYNDICATED LOANS

3.3 Closing Guidance

During the Closing phase, the Syndicated Loans Sales Team should continue due diligence, with the following disposition objective in mind: An immediate sale or settlement shortly after closing is generally preferred. It helps avoid funding and repudiation issues, as well as other asset management issues likely to arise or increase in number or complexity over time, saving considerable legal and administrative expense.

When not traveling on-site, the Syndicated Loans Sales Team should coordinate with the Capital Markets Functional Manager (CMFM), PCAM, Legal, Asset Marketing, or Proforma to ensure that the following objectives are accomplished.

	<p><u>Responsibilities of Syndicated Loans Sales Team Closing:</u></p> <p>1.) Continue Due Diligence: The Syndicated Loans Sales Team should continue to conduct due diligence on the Syndicated Loans, in consultation with the bank's PCAM or the CMFM on-site when additional information is needed.</p>
	<p>2.) Consult with PCAM Regarding Servicing: The Syndicated Loans Sales Team should consult with the bank's PCAM who is responsible for the servicing and management of the asset, until it is either sold, settled, or permanent servicing is arranged under a hold and manage strategy.</p>
	<p>3.) Retain Financial Advisor: If they have not already done so, the Syndicated Loans Sales Team retains a financial adviser ("FA") for due diligence, valuation, and loan disposition strategy.</p>
	<p>4.) Engage FDIC Legal: FDIC-Legal is engaged early in the process, especially in cases where:</p> <ul style="list-style-type: none"> Failed bank is an agent of some type under the applicable credit agreement -- presumption is for immediate resignation as agent, after consultation with FDIC-Legal Loans have unfunded commitments that can be drawn down – determine whether the applicable credit agreement should be repudiated <p><i>If the bank has an Agent role with respect to any Syndicated Loan, Capital Markets generally recommends that the Receiver resign from the agency as soon as possible in consultation with FDIC-Legal.</i></p>
	<p>5.) Notify the Agent: After consulting legal, the Syndicated Loans Sales Team should ensure the PCAM notifies the Agent for each Syndicated Loan that the bank has failed and that the FDIC has been appointed Receiver.</p>
	<p>6.) Ensure Syndicated Loans are Properly Recorded in 4C: Working in conjunction with BIS, Asset Marketing staff members are responsible for properly coding all Syndicated Loans in the 4C System by both "Pool Code"</p>

	and “Sub-Type” on a timely basis. The Syndicated Loans Sales Team periodically reviews the reports from 4C and notifies the applicable Asset Marketing staff if there are reconciling issues.
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B. SYNDICATED LOANS

3.4 Post-Closing Guidance

Capital Markets is responsible for the disposition of all Syndicated Loans for the FDIC that are acquired from failed financial institutions, with a focus on providing the best value to the receivership. Generally, an immediate sale to syndicate members, or settlement with the borrower, shortly after Closing is preferred. However, for those Syndicated Loans that are not sold to one or more syndicate members or settled with the borrower after soliciting offers, the Syndicated Loans Sales Team and its financial advisor will develop an alternate disposition strategy, such as selling the asset through a competitive sale process, or determining that holding a loan, rather than selling it, may provide the best value to the receivership.

When liquidating Syndicated Loans, the Syndicated Loans Sales Team has all of the responsibilities of a “Sales Team Leader/Member” (See Section 1.4 Securities Post-Closing Guidance) plus additional responsibilities detailed below:

	<p><u>Responsibilities of Syndicated Loans Sales Team Post-Closing:</u></p> <p>1.) Analyze Syndicated Loan with help of the FA: Syndicated Loans Sales Team coordinates due diligence efforts with the FA, so that the FA may complete its valuation of the loans. Generally, the FA should estimate both the market value and the intrinsic value for each loan, based upon all relevant factors. Those factors should include, without limitation, any obstacles to syndicate sale or borrower settlement, as well as any obstacles to a sale <i>outside</i> the syndicate, (“Obstacles”):</p> <ul style="list-style-type: none"> • size of credit; • unfunded commitments; • repudiation considerations (e.g., Is Receiver treated as "Defaulted Lender"? Affect on voting rights? Subordination - and extent of it?); • feedback from syndicate members; • original AVR value; • analysis of market value vs. intrinsic value, as estimated by the FA; • any sharing provisions that might impact FDIC’s receipt of sale/settlement proceeds; and • other legal or policy considerations: litigation/bankruptcy ability to assign assets without challenge (Can required consents (which often include agent and/or borrower consent) be obtained? Is buyer an "Eligible Assignee"?); any additional cost-benefit considerations; and the FA’s sale recommendation. • Potential bidders
	<p>2.) Consult with Legal Division: The Syndicated Loans Sales Team consults with FDIC-Legal attorneys (and outside counsel, if any) to ensure that:</p> <ul style="list-style-type: none"> • Appropriate legal analysis is provided to Capital Markets and the FA regarding the interpretation of the underlying credit documentation and courses of action available to the Receiver and their potential

	<p>consequences; and</p> <ul style="list-style-type: none"> • Appropriate legal documentation is provided for each Syndicated Loan disposition transaction.
	<p>3.) Consider Repudiation: Syndicated Loan Sales Team consults, as appropriate, with the FA and FDIC-Legal (DC), and with the PCAM (and/or FDIC contractors) who service and manage the Syndicated Loans, regarding the exercise of the Receiver's repudiation rights and implications for loan disposition. Syndicated Loan Sales Team makes recommendations to managers with the appropriate delegated authority, regarding such issues, as appropriate.</p>
	<p>4.) Coordinate Servicing and Management with DRR Field Personnel: The Syndicated Loans will be serviced by DRR Field personnel (and/or FDIC contractors), in consultation with Syndicated Loans Sales Team, until either sold, settled or permanent servicing is arranged under a hold and manage strategy.</p> <p><i>a.) If the receivership has an Agent role with respect to any Syndicated Loan, Capital Markets generally recommends that the Receiver resign from the agency as soon as possible in consultation with FDIC-Legal</i></p> <p><i>b.)</i> Syndicated Loans Sales Team consults, as appropriate, with the FA and FDIC-Legal (DC), and with DRR Field personnel (and/or FDIC contractors) who service and manage the Syndicated Loans, regarding the exercise of the Receiver's repudiation rights and implications for loan disposition. Capital Markets makes recommendations regarding such issues, as appropriate.</p> <p>Capital Markets uses contractors to account for the loan funding made by the failed bank and the distributions received by the bank by reconciling the bank/servicer's records to the records of the agent. These contractors also serve as the intermediary between Capital Markets and BOS to ensure that payments and sales of Syndicated Loans are accounted for correctly.</p>
	<p>5.) Ensure Syndicated Loans are Properly Recorded in 4C: Working in conjunction with BIS, DRR Asset Marketing staff members are responsible for properly coding all Syndicated Loans in the 4C System by both "Pool Code" and "Sub-Type" on a timely basis. Capital Markets periodically reviews the reports from 4C and notifies DRR Asset Marketing if there are reconciling issues.</p>
	<p>6.) Solicit Offers from Syndicate Members or Borrower: Generally, a sale to members of the syndicate, or settlement with the borrower, shortly after closing is preferred. Therefore, the Syndicated Loans Sales Team coordinates with the PCAM and typically sends:</p> <ul style="list-style-type: none"> • a letter to each member of syndicate, soliciting offers to purchase

	<p>the loan; and</p> <ul style="list-style-type: none"> • a letter to the borrower, soliciting a settlement offer (however, FDIC will typically need syndicate consent to avoid having to share settlement proceeds with other syndicate members).
	<p>7.) Evaluate all Offers: All offers (including unsolicited offers outside the syndicate) are initially evaluated by the Syndicated Loans Sales Team.</p> <p>a.) For offers that it recommends be accepted, Capital Markets prepares a case supporting the recommendation and including a supporting memorandum from the FA. Acceptance of offers must be approved by the Manager, Capital Markets, and then, if additional, the appropriate level of delegated authority. [CONTROL: SECONDARY REVIEW] Generally, the memorandum would include the following:</p> <ul style="list-style-type: none"> • identity of lender and each Agent under applicable credit facilities; • general description of credit facilities, Syndicated Loans and their status (performance/classification), any unfunded commitments and outstanding letters of credit, and all collateral; and • any Obstacles (as defined above) to the sale or settlement, as the case may be. <p>b.) If no offers are accepted, then the Syndicated Loans Sales Team and the FA develop a disposition plan, which may necessitate a broader marketing strategy. However, based on the FA's valuation and/or various Obstacles (as defined above), Capital Markets may determine that the particular loan should remain held by the receiver, consistent with DRR sales strategies and goals. In that event, DRR Field or its contractors will continue to retain servicing and management responsibility for the loan. The Syndicated Loans Sales Team will review the loan and its hold determination periodically with the servicer and, generally, with the FA if possible, in order to assess whether a new disposition strategy is appropriate.</p>
	<p>8.) Ensure Sale is Documented: The Syndicated Loan sale closing documents should all be posted to the Capital Markets SharePoint Site. A tracking report (checklist) is maintained by the Syndicated Loans Sales Team to monitor the documents.</p> <p>The Syndicated Loans Sales Team also provides:</p> <ul style="list-style-type: none"> a.) its accounting contractor with a copy of the sale closing documents (so that the contractor may make appropriate entries in the 4C system and otherwise regarding the sale and the asset(s) sold) and b.) the servicer with a copy of the Assignment and Assumption Agreement (or equivalent documentation), together with evidence of any required consents, with respect to each loan sold. <p>(Job Aid 4.2: Syndicated Loan Sales Documentation Checklist)</p>

4. SYNDICATED LOANS JOB AIDS

B. SYNDICATED LOANS

4.1 Job Aid: FDIC Information Request Form for Syndicated Loans

Syndicated Loan Information Requested²

The actions set forth below should be undertaken for each **Syndicated Loan** (“SynLoan”) owned by the subject institution (Institution) or as to which the Institution acts as an **agent**.

On a first priority basis:

- (1) Obtain name, position and contact information for each Institution officer or other employee responsible for managing the SynLoan (SynLoan Manager).
- (2) Obtain names and contact information for the account officer of the agent bank and its back-office personnel.
- (3) (a) Identify and locate all reporting systems with respect to each SynLoan, and identify by name, position and contact information each Institution officer or other employee responsible for operating such systems and interpreting SynLoan reports; (b) determine (i) the scope and reliability of such systems and (ii) access to, and availability of, such systems; and (c) obtain a print-out of the current loan history for each SynLoan, as well as a print-out of each quarterly and annual report for the past year covering the Institution’s SynLoans, including without limitation criticized/classified loan reports and management reports.
- (4) Locate -- and, in the case of each promissory **note**, verify as such -- the originals of all documentation relating to the SynLoans, including underwriting, credit, correspondence, note, collateral and legal files.
- (5) Obtain a copy of the following documents (however titled, and including, if possible, all relevant schedules, exhibits and other attachments), *in order of priority*: (a) **credit agreements**, notes, and assignments to and from others, (b) bankruptcy filings, plans, proofs of claim and orders, (c) subordination agreements, inter-creditor agreements, amendments, forbearance agreements, and waivers relating to the foregoing, and (d) Syn Loan sales confirmations and sales agreements.
- (6) Interview or request SynLoan Manager for a brief description of:
 - (a) the borrower, its current financial/bankruptcy status, any defaults or conditions preventing borrowing under the SynLoan, and any other significant developments or problems regarding the borrower or the SynLoan;
 - (b) any outstanding funding requests or demands, pending amendments, forbearance agreements or waivers or other circumstances requiring prompt attention;

² See Background Information with respect to terms appearing in bold.

- (c) any failure to fund or other breach by the Institution under the applicable credit agreement;
 - (d) whether the Institution is considered by the agent to be a defaulted lender under the credit agreement, and any agent communication in that regard (including any indication of the consequences of being a defaulted lender);
 - (e) any setoff by the Institution against the borrower or any other obligor;
 - (f) any rumored or anticipated pay-off or refinancing of any SynLoan;
 - (g) potentially interested investors in the SynLoan, and any attempts to sell the Syn Loan; and
 - (h) any other financial interests of the Institution under or in connection with the Syn Loan or the applicable obligors, including other credit or deposit relationships.
- (7) Provide the credit's CUSIP Number, if available.

On a second priority basis, based on a business and legal review of the information obtained under items (3) through (6) above:

- (1) Specify the following for all outstanding SynLoans (whether or not written off) and all other outstanding interests and obligations of the Institution, by **tranche**:
- (a) Institution's role(s) as agent, lender, **participant, issuing bank, swingline lender**, or otherwise; and whether the Institution was an original party to the credit agreement or, instead, became a lender pursuant to an assignment.
 - (b) Type of loan tranche (e.g., term loan A or B, revolving credit, etc.), the unpaid principal balance (UPB) of the loan(s) made, as well as the Institution's percentage share of, and the aggregate UPB for, such loans by all lenders.
 - (c) If the Institution does not hold a note to evidence the tranche debt, is issuance of the note optional under the credit agreement? Was the Institution issued a note? Does the agent hold it?
 - (d) Amount and percentage share of the Institution's participation, if any, in undrawn amounts under outstanding letters of credit (LCs), as well as the aggregate undrawn LC amount.
 - (e) Amount of any **swingline** sub-facility and aggregate UPB of all outstanding swingline loans, if any, as well as the amount and percentage share of any Institution interest in such loans.

- (f) Amount and percentage share of the Institution's commitment and available commitment (after deducting the loans and the LC and swingline exposure above, to the extent applicable and any other required deductions).
 - (g) Expiry dates of each commitment and each outstanding LC, and maturity dates of each loan.
 - (h) Applicable commitment, facility and other fees (to the extent unpaid or accruing under the facility).
 - (i) All penalties or other effects (e.g., forfeiture, subordination, interest charges, etc.) that may result under the SynLoan documents from any failure by the Institution to fund.
 - (j) Confidentiality provisions under the SynLoan documentation that limit the Institution's ability to disclose information to prospective SynLoan purchasers.
 - (k) Requirements and restrictions (e.g., required assignment and assumption forms, required consents, limitations on permitted or eligible assignees, etc.) and fees on the Institution's transfer of outstanding rights and obligations under the facility and its release from the same; and whether the Institution may transfer each tranche independently, regardless of whether it ultimately retains any other.
 - (l) General description of any collateral, guaranties or other credit support for the Syn Loan or of any obligor equity held by the Institution.
 - (m) Any related proofs of claim or other filings or notices in bankruptcy proceedings.
- (2) Identify any other financial interests of the Institution under or in connection with such SynLoan or the applicable obligors, including other credit or deposit relationships.
 - (3) Is or was the Institution ever (a) an "insider" (as defined in Section 101(31) of the US Bankruptcy Code) of the borrower or any obligor or (b) a member of any official or unofficial creditors' committee relating to the borrower or any other obligor.
 - (4) Obtain a copy of materials used to market the loan (e.g. information memorandum / bank book, lender presentation, letters to the bank group, etc.)
 - (5) Obtain a copy of materials used to obtain internal credit approval (e.g. credit approval memorandum, financial projection model and assumptions, etc.)
 - (6) Is there a credit default swap or other derivatives contract in place at the Institution related to the credit facility? If so, provide particulars and obtain a copy of such contract.

Background Information

“Syndicated Loans” are loans made, respectively, by two or more lenders contracting directly with a borrower under the same credit agreement. Syndicated Loans are often confused with loan **“Participations.”** However, Syndicated Loans differ from loan Participations in that the lenders in a syndication participate jointly in the origination and lending process; as opposed to one originator (commonly called the **“lead bank”**) selling to third parties (**“participants”**) undivided participation interests in the lead bank’s lending commitment and loans to the borrower. (Syndicate lenders may, however, acquire their interests in a credit facility through assignment from one of the original lenders.) In a syndicated transaction, each lender has a direct legal relationship with the borrower and receives its own promissory note(s) from the borrower (if the credit agreement provides for borrowings to be evidenced by notes), while in a Participation relationship the lead bank is commonly the only direct lender to the borrower and, therefore, the sole payee for the entire amount loaned. In the latter arrangement, the rights of those purchasing participations are routinely set forth in a “participation agreement,” which may be titled – or provide for one or more other documents titled – **“participation certificate.”** Under a syndication, typically one or more lenders will also take on the separate role of agent for the credit facility and assume responsibility of administering the loans for the other lenders. Syndications may include administrative agents, collateral agents, or other syndicate agents.

A syndicated credit agreement often includes multiple credits or **“tranches,”** such as one or more term loan facilities as well as a revolving credit facility. Each facility commonly entails a commitment to lend (and if a revolving loan is repaid, to re-lend) on one or more occasions prior to a specified expiry date. Also, a revolving credit facility will commonly include a sub-commitment of one or more lenders, designated as **“issuing banks,”** to issue letters of credit (**“LCs”**) for the borrower’s account. Each syndicate lender is usually obligated to purchase a pro rata participation from the issuing bank in any draws under the LCs that are not reimbursed by the borrower or to make loans on a pro rata basis to reimburse the issuing bank for those draws. Additionally, syndicated revolvers sometimes include a **“swingline”** sub-facility, allowing or obligating the lender that is also the agent (**“swingline lender”**) to make certain loans exclusively, but obligating the other lenders to participate in those loans at the swingline lender’s option or automatically upon the occurrence of an event of default.

B. SYNDICATED LOANS

4.2 Job Aid: Syndicated Loan Sales Documentation Checklist

[illegible]

C. SYNDICATED LIMITED PARTNERSHIPS

5. SYNDICATED LIMITED PARTNERSHIPS GUIDANCE

C. SYNDICATED LIMITED PARTNERSHIPS**5.1 Definition of “Syndicated Limited Partnerships”**

Syndicated Limited Partnerships is an asset category created by Capital Markets to include interests in the form of shares or limited partnership interests in funds that are organized as partnerships or limited liability companies with partnership election for tax purposes. These funds invest in CRA eligible investments such as Low Income Housing Tax Credits, Small Business Administration Loans, Small Businesses Investment Companies, Economic Development Real Estate Projects, New Market Tax Credits, and other types of projects that are eligible for CRA credit. The partnerships are organized and managed by a managing partner who offers shares or limited partnership interests to investors. The limited partners typically obtain cash flow and federal and state tax credits as well as CRA credit. Banks are the most common investors in these Limited Partnerships. Depending on the type of fund, the banks can achieve a return on their investment in the form of cash flow and/or tax credits.

C. SYNDICATED LIMITED PARTNERSHIPS

5.2 Pre-Closing Guidance

Capital Markets is responsible for the management and the disposition of all Syndicated Limited Partnerships for the FDIC that are acquired from failed financial institutions. Syndicated Limited Partnerships are a special asset category which has its own Sales Team. The Syndicated Limited Partnerships Sales Team is responsible for the administration and management of Syndicated Limited Partnerships during the Pre-Closing, Closing, and Post-Closing phases.

Syndicated Limited Partnerships are usually identified on the financial institution's securities inventory or in other assets; therefore, the Syndicated Limited Partnerships Sales Team will become aware of Syndicated Limited Partnerships in a number of ways. Often, the Capital Markets Functional Manager (CMFM) will have come across the assets when conducting the pre-closing inventory analysis for securities. Other times, Syndicated Limited Partnership assets will be assigned to Subsidiaries or Asset Management Closing teams and those individuals will reach out to the Syndicated Limited Partnerships Sales Team for administration and liquidation of the assets.

Responsibilities of the Syndicated Limited Partnerships Sales Team Pre-Closing:

1.) Obtain Inventory of Syndicated Limited Partnerships: When notified that Syndicated Limited Partnerships are part of the inventory of a failed bank, the Sales Team will obtain a listing of all Limited Partnerships, if any, from the securities inventory listing or from the other assets listing in the Pro-forma jackets or the institutions share-point site.

2.) Obtain Syndicated Limited Partnerships Documentation: The Syndicated Limited Partnerships Sales Team will inventory all documentation available related to the Limited Partnerships owned by the financial institution in preparation for closing and identify any missing information. The documentation needed normally includes the Private Placement or Offering Memorandum, the Operating or Partnership Agreement, the Subscription Agreement, Capital Contribution Notes, Security Agreements, Benefit schedules, prior year K-1's and information about the managing partner.

3.) Identify Contact at Financial Institution: Lastly, the Syndicated Limited Partnerships Sales Team will obtain a key contact at the financial institution responsible for Limited Partnerships. Since these investments are normally acquired for CRA purposes, this will usually be personnel in the CRA investment group of the financial institution.

C. SYNDICATED LIMITED PARTNERSHIPS

5.3 Closing Guidance

The Syndicated Limited Partnerships Sales Team will work with the Capital Markets Functional Manager (CMFM) assigned to the closing team or the on-site closing asset managers to obtain all relevant documents related to the financial institutions Limited Partnership investments.

Responsibilities of the Syndicated Limited Partnerships Sales Team Closing:

1.) Obtain Contact at Financial Institution: Obtain a key contact at the financial institution to interview about the financial institutions investments in Limited Partnerships.

2.) Interview Financial Institution Personnel: Interview the financial institution's personnel about the Syndicated Limited Partnership activities in order to inventory all Syndicated Limited Partnerships. Although, this procedure was done in pre-closing from the financial institution's documents, due to the nature of the investment, other Syndicated Limited Partnership investments may be discovered.

3.) Obtain Syndicated Limited Partnerships Documentation: During the closing phase, the Syndicated Limited Partnerships Sales Team should contact the CMFM onsite and ask them to obtain any missing relevant documentation related to the financial institution's investments in Syndicated Limited Partnerships. These documents normally include the Private Placement or Offering Memorandum, the Operating or Partnership Agreement, the Subscription Agreement, Capital Contribution Notes, Security Agreements, Benefit schedules, prior year K-1's and information about the managing partner. Have all hard documentation shipped to the Capital Markets group for inventory.

(Job Aid 2.7: Shipping Physical Securities)

C. SYNDICATED LIMITED PARTNERSHIPS

5.4 Post-Closing Guidance

When liquidating Syndicated Limited Partnerships, the Syndicated Limited Partnerships Sales Team has all of the responsibilities of a Securities “Sales Team Leader/Member” (See Section 1.4 Securities Post-Closing Guidance) plus the following guidance should be followed in the management and disposal of the Limited Partnership interests:

	<p><u>Responsibilities of the Syndicated Limited Partnerships Sales Team Post-Closing:</u></p> <p>1.) Contact the Managing Partner: Contact the Managing Partner to inform them of the bank’s Receivership, establish an FDIC point-of-contact, and provide them with updated payment instructions. Inventory the documentation on the Limited Partnership shares obtained during the pre-closing and closing phases of the financial institution closing. Also, the Sales Team should contact the managing partner of the fund for any missing documentation. The managing partner will normally have these documents in pdf. files and will readily send them to the FDIC. In addition, request an updated remaining benefits schedule from the managing partner.</p>
	<p>2.) Determine Type of Investment: Review the documentation and remaining benefits schedule to determine the type of limited partnership investment (e.g. tax credits, SBIC fund, CRA fund, etc.) and the holding and market value of the remaining benefits. The Limited Partnership benefits may just be in the form of tax credits and operating losses or may be cash flowing. If a financial advisor is engaged, send all documents and remaining benefit schedules to the financial advisor for valuation and market value. Discuss the ability to sell the Limited Partnership shares with the financial advisor.</p>
	<p>3.) Review Capital Contributions: If there are any required capital contributions, contact the managing partner to discuss alternatives to making the capital contribution.</p> <p>a.) If a capital contribution can be justified submit a FACTS case, citing appropriate delegation, for the capital contribution. [CONTROL: SECONDARY REVIEW] Coordinate with Claims if the managing partner has submitted a claim for the Capital Contribution. As a general guidance principle, Capital Markets should work with the Managing Partners of the funds to avoid any further capital contributions unless the benefit of making the capital contribution can be clearly supported by a sale at a market price that materially exceeds the required capital contribution. Capital Markets can discuss a number of alternatives with the Managing Partner including:</p> <ul style="list-style-type: none"> • Adjusting the capital account. • Obtaining a buyer that will assume the future capital contributions. • Delaying the capital contribution until the Syndicated Limited

	<p>Partnership interest is sold.</p> <p>b.) In the event that the managing partner of the fund is unwilling to cooperate with Capital Markets, the managing partner should be referred to Claim s. In cases where the managing partner decides to pursue litigation, Capital Markets should refer the managing partner to FDIC Legal.</p> <p>c.) Claims – The managing partner of the fund has the right to pursue its capital contribution with Claim s. Capital Markets must also coordinate with Claims any negotiation of the capital contributions to ensure that both departments are aware of a claim from a managing partner for the capital contribution and its resolution.</p>
	<p>4.) <u>Monitor Cash Flows:</u> The Syndicated Limited Partnerships Sales Team will take responsibility for monitoring all payments received for Limited Partnership assets including Sales Proceeds and periodic dividend payments, if applicable. The supporting documentation for the cash flows should be obtained from the Managing Partner. The Syndicated Limited Partnerships Sales Team will coordinate with BOS to ensure that the Payments were actually received by the FDIC and will provide documentation for applying the payments to the assets. [CONTROL: SEGREGATION OF DUTIES]</p>
	<p>5.) <u>Liquidate the Security Through a Negotiated or Auction Sale</u> – Capital Markets can decide to sell the Limited Partnership interest through an auction sale or a negotiated sale. The following guidance should be followed in order to determine what type of sale to pursue.</p> <p>Generally, a negotiated sale is used when the type of Limited Partnership interest is not highly marketable, was designed for specific investors and there is an existing Limited Partner in the fund that has a high degree of interest in buying the FDIC's Limited Partnership shares. In these cases the sale can be accomplished through a sale and assignment agreement. Negotiated sales are also used when the remaining benefits are limited and therefore the market value does not justify the costs of an auction. Negotiated sales prices must be supported by analysis to determine the holding value and the market value of the shares. In addition, the negotiated price should take into account the costs and time of pursuing an auction sale.</p> <p>Auction sales are used when the market value of the Limited Partnership interests are enough to justify the costs of an auction, there is a large universe of potential buyers and a negotiated sale can not be concluded. Auction sales will involve much more documentation including the review of the documents by outside counsel for adherence to securities laws and issuing a securities opinion. In addition, a bid package will need to be developed by FDIC legal which will normally include a bid form, bidding instructions, bid terms, due diligence materials, form of the sale and assignment agreement, a description of the</p>

shares and the terms of the sale. Due to the amount of legal documentation and involvement, auctioned sales are more time consuming and expensive and therefore are normally used when a negotiated buyer can not be identified and the deal is large enough to justify the expenses.

Engaging a Financial Advisor – Capital Markets may use a financial advisor for valuation and distribution. The financial advisor can be hired through the appropriate Receivership Basic Ordering Agreements (“RBOA”) and a Task Order. Currently the appropriate RBOA is the RBOA for Financial Advisory services. Capital Markets will work with FDIC Contracting to manage and issue the Task Order to the firms awarded the RBOA.

a.) Negotiated Sales – Determine an appropriate market value of the Limited Partnership interest. If a financial advisor is engaged, obtain an appraisal from the financial advisor with supporting schedules. Work with the purchaser on a negotiated basis to obtain a bid. Once a bids letter is obtained from a buyer, prepare a FACTS case. **[CONTROL: SECONDARY REVIEW]** Once the FACTS case is approved contact Legal to work with the buyer and the managing partner to finalize the transfer agreements.

b.) Auction Sales – If an auction sale is to be used, work with Legal to develop a Bid Package. The bid package will consist of the items listed in the section Post Closing Guidance – Limited Partnerships. Once the auction package is finalized submit a FACTS case prior to distributing the Bid Package to potential investors. **[CONTROL: SECONDARY REVIEW]** FDIC legal will run the closing documents. Once all signature pages are signed and distributed, verify that cash proceeds have been received. Send posting instructions to BOS in Dallas to apply the funds to the proper assets and the proper receivership. In addition, provide the Capital Markets Manager responsible for the securities inventory reporting with the relevant information on the sale. This information would include the name of the Limited Partnership interests, the receivership fund number, the sales proceeds and any other information required for the Capital Markets securities inventory reports.

6. SYNDICATED LIMITED PARTNERSHIPS JOB AIDS

C. SYNDICATED LIMITED PARTNERSHIPS

6.1 Job Aid: TBD

D. QUALIFIED FINANCIAL CONTRACTS - RESOLUTION

7. QUALIFIED FINANCIAL CONTRACTS – RESOLUTION GUIDANCE

D. QUALIFIED FINANCIAL CONTRACTS

7.1 Definition of “Qualified Financial Contract’s” (QFC’s)

QFCs are certain financial contracts that have been defined in the Federal Deposit Insurance Act (FDI Act) and receive special treatment by the FDIC in the event of the failure of an insured depository institution (institution). The FDI Act identifies QFCs using the statutory definition of five specific financial contracts. This statutory list of QFCs consists of securities contracts, commodity contracts, forward contracts, repurchase agreements, and swap agreements.

D. QUALIFIED FINANCIAL CONTRACTS

7.2 Pre-Closing Guidance

Capital Markets is responsible for facilitating the resolution of QFC's in the closing process. The Capital Markets Functional Manager for a closing is responsible for confirming that the FDIC has received adequate QFC reporting from the 'troubled institution' and/or the examiners to enable advance planning for QFC resolution, and is also responsible for coordinating with the closing team in advance of the closing.

Responsibilities of the Capital Markets Functional Manager Pre-Closing:

1.) Review the QFC Advance Planning Report to confirm any Part 371 reporting received to date.

In advance of closing, QFC-related documents are uploaded to the SharePoint site, under either of the following two subfolders:

- Assets Securities / QFC's, or
- QFC's

The files within the folder will include, if available:

1. Table A1 & A2 (Details on individual derivative positions –A1 and aggregate exposures segmented by counterparty –A2)
2. Master Agreements between the institution and its counterparties (these agreements typically include key counterparty notice recipient information), and
3. Trade confirmations for each derivative position.

If there are credit derivatives, obtain copies of contracts (including the confirmations for each trade) and ask the Legal Division Closing Team for a determination whether the contracts are QFCs.

2.) Obtain copies of QFC Contracts: Obtain signed copies of qualified financial contracts and review to determine:

- Type of QFC
- Terms of QFC
- Function or purpose performed by the QFC, particularly whether the QFC hedges risks associated with assets and liabilities in the institution's portfolio.
- Whether contracts are collateralized and if so, the collateral that secures the contracts
- Whether contracts are subject to other agreements, such as Master Agreements, or clearinghouse agreements or rules
- Identities of counterparties to the contracts
- Contact information, specifically where should notices be sent

Copies of the contracts should include the confirmations for each trade.

If copies of agreements are not available, coordinate with (1) the QFC 371

	<p>Recordkeeping Team or (2) Franchise Marketing to contact someone onsite at the institution.</p> <p>Best-Practice Hint: By preparing an excel list of counterparty notice recipients in advance of closing, you can 1) update the list once on-site to include any changes to the notice recipients (in the event of updated fax, address, e-mail), 2) track issuance and confirmed receipt.</p> <p>If the financial institution has significant QFC positions, information should be gathered from the QFC Recordkeeping Repository or, failing that, the onsite examination staff, using the listing provided in the Interview Guide.</p>
	<p>3.) Identify Key Institution Personnel: Identify key institution personnel with operational responsibility for trading, risk management and implementation of QFC operations.</p>
	<p>4.) Make Information Available to Legal Division: Ensure all relevant information concerning the QFCs has been circulated, or made available via access to SharePoint, to all Capital Markets personnel assigned to the resolution and to the Legal Division Closing Team. All actions taken with respect to the QFCs must be coordinated with the Legal Division Closing Team.</p>
	<p>5.) Prepare the SRP: The Capital Markets Functional Manager is responsible for preparing the Capital Markets / QFC section of the Strategic Resolution Plan. This should include a quantification of QFC exposure.</p> <p><u>(Job Aid 2.1: Pre-Closing Inventory Analysis & Preparing an SRP)</u></p>
	<p>6.) Identify Counterparties: Sort QFCs by counterparty (and include as a separate sub-group all QFCs of the counterparty's Affiliates who are also counterparties of the institution). Decisions concerning the disposition of QFCs must be made by counterparty (and all Affiliates), not on individual contracts; that is, all contracts with a specific counterparty (and all Affiliates) must be retained by the Receiver, transferred to one financial institution, or repudiated.</p> <p>Segmentation by individual counterparty is typically available through the Table A2 reporting due from the institution prior to closing. If the institution report on SharePoint is dated prior to the closing date, you will need to request a 'Close of Business' QFC Report (Including Table A1 & A2 updated as of the closing) to be prepared by the institution's QFC point of contact.</p>

	<p>7.) Value the QFC: Make a preliminary determination whether the aggregate position of the institution with each counterparty (and its Affiliates) is in-the-money or out-of-the-money, and/or is fully collateralized, as well as the effect of any proposed action on any hedges currently in place (if necessary or appropriate to retain hedges). Share the results with the Legal Division Closing Team, to develop a strategy for addressing QFCs at closing. Resources for completing this determination include:</p> <ul style="list-style-type: none"> • QFC 371 Recordkeeping Team • Financial advisor (if one is under contract to FDIC for the resolution). Capital Markets may wish to retain a financial advisor to review and value QFCs when the institution has a large QFC portfolio or potentially complex QFCs or under other scenarios where QFCs are difficult to understand or value in a timely manner.
	<p>8.) Schedule Interview for Closing Night with Key Institution Personnel: When traveling onsite, in advance of closing, be sure to have a closing-night interview time confirmed by the Closing team with the institution's QFC point of contact (preferably early in the evening, as there may be several deliverables due closing night).</p>
	<p>9.) Determine if QFC's will be sold or Retained by the FDIC: Make contact with Legal or Franchise Marketing to obtain details on whether QFC's will be retained by the Receiver or transferred to the Acquiring Institution and to ensure QFC collateral remains with the QFC's. This information is typically available in the days just prior to closing. If needed, Capital Markets may be asked to act in an advisory capacity in order to assist Franchise Marketing in making this decision.</p> <p><i>Note: Decisions concerning the disposition of QFCs must be made by counterparty (and its Affiliates), not by individual contracts; that is, all contracts with a specific counterparty (and its Affiliates) must be retained by the Receiver, transferred to one financial institution, or repudiated.</i></p>

D. QUALIFIED FINANCIAL CONTRACTS

7.3 Closing Guidance

At closing, the Capital Markets Functional Manager is responsible for obtaining the most up-to-date inventory of QFC's and their details (confirmations, points of contact, Table A1 & A2, etc), interviewing the QFC point of contact with the bank, providing timely notification to QFC counterparties of any transfer of their QFCs, reporting out to the closing team and managing the QFC portfolio through the closing process.

***If QFC's are identified pre-closing, Capital Markets always sends a staff member to work on-site at the closing. The exception is when there are only a couple of QFC's and they are passing to the Acquiring Institution. In this instance, QFC's are accounted for by Proforma in coordination with Legal.

Responsibilities of Capital Markets Functional Managers at Closing:

- **Information Gathering**
- **Disposition of QFC's**

Information Gathering:

1.) Interview Institution Staff on Closing Night: Interview institution staff to obtain information concerning Master Agreements, the identity of the counterparty's Affiliates who are also QFC counterparties of the institution, hedging activity, the clearing and settlement process, and key counterparty contacts. Listed below are some suggested interview topics or information requests:

- a.) Request an Updated Table A1 & A2:** Compare this updated version against prior reporting to confirm whether there have been any additions, terminations or modifications of any derivatives since the pre-closing report was submitted to the FDIC.
- b.) Obtain Signed Copies of QFC Documentation:** If available, obtain signed copies of any qualified financial contracts (QFCs) (including confirmations) executed by the institution and not already maintained by Capital Markets. Review to determine:
 - Type of QFC
 - Terms of QFC
 - Function or purpose performed by the QFC, particularly whether the QFC hedges risks associated with assets and liabilities in the institution's portfolio.
 - Whether contracts are collateralized and if so, the collateral that secures the contracts; be sure to obtain a copy of any safekeeping locations and Custodian details for all QFC collateral
 - Whether contracts are subject to other agreements, such as Master Agreements, or clearinghouse agreements or rules
 - Identities of counterparties to the contracts

	<ul style="list-style-type: none"> • Contact information, specifically where should notices be sent <p>Copies of the contracts should include the confirmations for each trade.</p> <p>c.) Obtain Contact Information for Counterparties: Confirm or provide any available e-mail, fax and phone contact details for all counterparties (emphasis on fax and e-mail, so FDIC can confirm immediate receipt within our one business-day notification deadline).</p> <p>d.) Obtain Contact Information for Custodians/Safekeeping Agent.</p> <p>e.) Obtain Copies of MTM Methodology: Any details on MTM methodology and assumptions used in valuing the QFC positions. This information is not required but may be useful in valuating the QFC internally.</p> <p>f.) Obtain Documentation for Exotic QFC's: If there are any exotic QFC products (subjective), specifies on purpose, how the product is captured through accounting team and copies of key documents with customers and counterparties.</p>
	<p><u>Disposition of QFC's:</u></p> <p>1.) Review Purchase & Assumption Agreement regarding the disposition of the QFCs: The decision to retain or sell QFC's is determined by Franchise Marketing (and indirectly the Acquiring Institution) and is written into the Purchase and Assumption Agreement. The decision is based on factors such as the aggregate position of the institution with each counterparty (and its Affiliates), what the collateral position is, how the proposed action affects any hedges currently in place and whether the terms of the contracts are burdensome to the Receiver. Consult with the Legal Division Closing Team, to decide whether all QFCs for a specific counterparty (and its Affiliates) will be:</p> <ul style="list-style-type: none"> • Sold to the acquiring institution, • Retained by the FDIC as Receiver, or • Transferred to another financial institution (ex. Bridge Bank). <p>Once the decision is made that the security will not be sold to the Acquiring Institution, then Capital Markets must decide if the QFC will be:</p> <ul style="list-style-type: none"> • Repudiated, • Closed out by mutual settlement, or • Left in place and managed by the FDIC. <p><i>Note 1: Decisions to retain or transfer QFCs for a specific counterparty (and its Affiliates) must be made by 5:00PM, Eastern Time, on the business day next following appointment of the Receiver. Note that a decision to retain a QFC may</i></p>

	<p><i>lead the counterparty to terminate that QFC (if it has a right to do so under the contract). If Capital Markets believes that such a response is likely, it may want to repudiate the contract prior to termination in order to fix any damages that may be claimed against the Receiver to actual, direct compensatory damages as of the date of repudiation.</i></p>
	<p>2.) Obtain approval for actions concerning the QFCs: Prior to traveling on-site to a closing, the Capital Markets Functional Manager should discuss strategy with the Assistant Director, Capital Markets and obtain authority to execute the transaction, as required under the delegation of authority. [CONTROL: SECONDARY REVIEW] Once on-site, if the facts are changed, then the Capital Markets Functional Manager should consult with the Assistant Director, Capital Markets by email to obtain authority. If the amount of the QFC is particularly large/sensitive the Assistant Director, Capital Markets may refer the issue to the Deputy Director, Franchise and Asset Marketing for concurrence. The Capital Markets Functional Manager should also obtain Legal Division concurrence if the delegated authority requested requires legal concurrence.</p>
	<p>3.) Coordinate with Legal to prepare and send notices to each counterparty regarding the Receivership's transfer of QFCs: The Legal Team is responsible for sending notices to the counterparties (see Legal Policies and Procedures Manual) but Capital Markets should coordinate with legal and offer assistance to ensure this task is completed.</p> <ul style="list-style-type: none"> • If the QFCs are transferred to another institution, notice is due to the affected counterparties by 5:00 p.m., Eastern Time, on the next business day after closing. • The required notice to the counterparties should be delivered in writing by e-mail or facsimile transmission. However, the required notice can, if necessary, be delivered by phone call by 5:00 p.m., Eastern Time, on the next business day after closing, but should be promptly followed up in writing with a formal notice. • For purposes of this item 3, the term "business day" means any day other than any Saturday, Sunday or any day on which either the New York Stock Exchange or the Federal Reserve Bank of New York is closed. <p><i>Note: As a precaution, it is best for FDIC to give the required notice of QFC transfer by e-mail or facsimile transmission -- and to follow up with a phone call -- no later than noon, Eastern Time, on the next business day after closing.</i></p>
	<p>4.) Determine if Systems on-site Support QFC's: Consult institution staff to determine whether any proprietary systems are used to communicate with counterparties, settle trades or exchange funds (such as SWIFT or Bloomberg Financial Services). If so, these systems should not be shut down or the contract repudiated until disposition of the QFCs has been completed.</p>

	<p>5.) Obtain Legal Documents when transferring to a Bridge or other FDIC controlled depository institution: If the QFCs are transferred to a bridge bank or depository institution, ensure all legal documents necessary to accomplish the transfer are executed. Forward copies of the signed documents to the Capital Markets, Headquarters.</p>
	<p>6.) Prepare Repudiation Letters: If the Receiver retains the QFCs, prepare repudiation letters for those contracts that will be repudiated.</p> <ul style="list-style-type: none"> • Obtain the appropriate form letter from the Legal Division Closing Team, and have the letter signed by the Receiver-in-Charge or other delegated authority. • Enclose a claim form with the letter. • Send the notice to the counterparty by certified mail return receipt requested. • Repudiations must be documented with a Case in FACTS and they must be approved by the appropriate delegated authority.
	<p>7.) Obtain Signed PAV, if necessary: If implementing an approved action involves a transfer or exchange of funds, obtain wire instructions or a Payment Authorization Voucher (PAV) form from the Financial Manager and have it signed by someone with the appropriate level of delegated authority.</p> <p>[CONTROL: SECONDARY REVIEW]</p>

8. QUALIFIED FINANCIAL CONTRACTS – RESOLUTION JOB AIDS

D. Qualified Financial Contracts - Resolution
8.1 Job Aid: TBD

**E. QUALIFIED FINANCIAL
CONTRACTS - PART 371
RECORDKEEPING RULE**

9. QUALIFIED FINANCIAL CONTRACTS – PART 371 -GUIDANCE

E. QUALIFIED FINANCIAL CONTRACTS (QFC'S) – PART 371

9.1 Interpretation of Rule 371

Capital Markets is responsible for the implementation of the Part 371 Recordkeeping Rule (“the Rule”) with staff assigned to implement the notification and reporting process, in consultation with RMS. The Rule establishes recordkeeping requirements with respect to qualified financial contracts and applies to insured depository institutions that are in a troubled condition. All activities related to the Rule are pre-closing activities, the reports and records received are used to help the FDIC prepare for closing and post-closing activities.

Since the regulation has some specific details, the guidance for pre-closing implementation is also specific:

An insured depository institution shall comply with the Rule within 60 days after written notification by the institution’s appropriate Federal banking agency or the FDIC that it is in a troubled condition under § 371.2(f). The FDIC may, at its discretion, grant one or more extensions of time for reporting under the Rule. No single extension shall be for a period of more than 30 days. An insured depository institution may request an extension of time by submitting a written request to the FDIC at least 15 days prior to the deadline for its reporting under the Rule. The written request for an extension must contain a statement of the reasons why the institution cannot comply by the required reporting deadline.

Troubled condition: means any insured depository institution that:

- (1) Has a composite rating, as determined by its appropriate Federal banking agency in its most recent report of examination, of 3 (only for insured depository institutions with total consolidated assets of ten billion dollars or greater), 4, or 5 under the Uniform Financial Institution Rating System, or in the case of an insured branch of a foreign bank, an equivalent rating;
- (2) Is subject to a proceeding initiated by the FDIC for termination or suspension of deposit insurance;
- (3) Is subject to a cease-and-desist order or written agreement issued by the appropriate Federal banking agency, as defined in 12 U.S.C. 1813(q), that requires action to improve the financial condition of the insured depository institution or is subject to a proceeding initiated by the appropriate Federal banking agency which contemplates the issuance of an order that requires action to improve the financial condition of the insured depository institution, unless otherwise informed in writing by the appropriate Federal banking agency;
- (4) Is informed in writing by the insured depository institution’s appropriate Federal banking agency that it is in troubled condition for purposes of 12 U.S.C. 1831i on the basis of the institution’s most recent report of condition or report of examination, or other information available to the institution’s appropriate Federal banking agency; or

- (5) Is determined by the appropriate Federal banking agency or the FDIC in consultation with the appropriate Federal banking agency to be experiencing a significant deterioration of capital or significant funding difficulties or liquidity stress, notwithstanding the composite rating of the institution by its appropriate Federal banking agency in its most recent report of examination.

Three Business-day Responses: The Rule provides that not later than three business days after the institution's receipt of the written notification from the FDIC under section 371.1(c) of The Rule, if the institution does have QFC's, the institution must provide the FDIC with (i) A directory of QFC files on site or electronic share drive and description of the records which includes the number, type, counterparties and dollar amount of QFC's segregated by type of QFC and (ii) a point of contact at the institution and their contact information, should the FDIC have follow-up questions concerning this information.

If the institution Does Not Have QFCs they must provide A letter stating that they [the CEO or CFO] have read and understand the QFC rule and have determined that they do not have any QFC's. Further the bank will notify the FDIC if they do ever enter into any QFC's and will report according to the rule.

60-Day Responses: If the institution does have QFC's, they must comply within 60 days after they receive written notification from their appropriate Federal banking agency or the FDIC. Including:

- i) A complete Table A-1 (Position-level data), A-2 (Counter-party data) and
- ii) Section B (Data files, contract information, counterparty contact information, master agreements and confirmations)

The FDIC may, at its discretion, grant one or more extensions of time for compliance with this requirement. No single extension may be for a period of more than 30 days. Such institutions may request an extension of time by submitting a written request to the FDIC at least 15 days prior to the deadline for its compliance with the requirements of The Rule.

E. QUALIFIED FINANCIAL CONTRACTS (QFC'S) – PART 371

9.2 Pre-Closing Guidance

Capital Markets is responsible for the implementation of the Part 371 Recordkeeping Rule (“the Rule”) with staff assigned to implement the notification and reporting process, in consultation with RMS. The Rule establishes recordkeeping requirements with respect to qualified financial contracts and applies to insured depository institutions that are in a troubled condition. All activities related to the Rule are pre-closing activities, the reports and records received are used to help the FDIC prepare for closing and post-closing activities.

The Capital Markets staff members who are responsible for Rule 371 are referred to as the “QFC 371 Recordkeeping Team.”

QFC Recordkeeping Pre-Resolution Phasing Process:

The QFC Recordkeeping Rule is broken down into three phases: Identification, Reporting and Pre-Resolution Analysis; to reiterate all three phases occur pre-closing.

Identification Phase

In the **Identification Phase** the prospective recipients of notices under the Rule are identified and prioritized. During the Identification Phase queries of Vision, RIS/SDI and the DRR resolution timetable are used to ensure coverage as resolution dates approach. The query criteria used are specific to each system, and combined.

- The filtering criteria used for the [REDACTED] system of record are as follows: 1) all banks with a composite CAMELS rating of 3 AND Assets of \$10 billion or more, and 2) all banks with a composite CAMELS rating of 4 or 5. (b)(8)
- The filtering criterion used for ‘Call Report’ RIS/SDI data is based on the results noted above, and filters all banks that report QFC exposure on their quarterly call reports including repos, interest rate derivatives, foreign exchange, etc.
- The filtering criterion used for the final system of record, the DRR Timeline, is the proposed resolution dates for financial institutions. The QFC team prioritizes notice recipients so that institutions that are higher on the resolution priority timetable receive the notice first – the goal is to receive all QFC recordkeeping responses prior to resolution.
- To determine notice priority for troubled banks that fall into the resolution timetable that are not part of the first two filters (e.g., better rated banks that are migrating quickly to resolution or those banks that are subject to a call upon any cross-guaranties in favor of the FDIC), Capital Markets consults with individual RMS case managers

	<p>(Job Aid 10.1: DSC Case Manager E-Mail Template)</p> <p>(Job Aid 10.2: Letter template for ‘troubled bank’ notice recipients)</p> <p>(Job Aid 10.3: DSC Case Manager FAQ Guide)</p>
	<p><u>Reporting Phase</u></p> <p>In the Reporting Phase a tracking database and response repository is used to track and aggregate bank submissions. This phase involves iterative follow-up with QFC contacts at the troubled banks to bring responses in line with the reporting requirements of The Rule – specifically, the proper reporting of Table A1 & A2, along with counterparty contact information for notices following a failure. Additional tools include the database administration job aid, Table A1 & A2 excel templates for smaller banks (not mandatory), and the response tracking report.</p> <p>(Job Aid 10.4: QFC Database Administration)</p> <p>(Job Aid 10.5: Excel Template Table A1 & Table A2)</p> <p>(Job Aid 10.6: Response Tracking Report)</p>
	<p><u>Pre-Resolution Analysis Phase</u></p> <p>Prior to, and including, the Pre-Resolution Analysis Phase, for each upcoming resolution with QFC’s, we refer to the Table A1 and Table A2 recordkeeping responses received from each bank and then segment the QFC book to plan for resolution. If the segmentation identifies a particularly large or complex derivative portfolio, a Financial Adviser is retained for review, as needed. In addition, the recordkeeping responses are uploaded to DRR Open Banks SharePoint site and updated as the closing approaches. The QFC team assists the DRR workgroup in the analysis of a given bank’s QFC book to facilitate transfer, repudiation, retention or unwind. If necessary, Capital Markets works closely with FDIC Legal and an appointed Financial Adviser for the pre-resolution analysis of the QFC’s. Given the variability of QFC portfolios across reporting banks there is no specific job aid applicable for pre-resolution analysis; in this phase review of a failing bank’s QFC submissions (both Table A1&A2) along with master agreements and trade confirmations is conducted to estimate potential costs to unwind positions.</p> <p>(Job Aid 10.5: Excel Template Table A1 & Table A2)</p>

10. QUALIFIED FINANCIAL CONTRACTS – PART 371 – JOB AIDS

- The definition of "troubled condition" for the purposes of the QFC Recordkeeping Rule is included in the Rule, and differs from the definition used for other purposes. The deadlines associated with the Rule are triggered by receipt of written notification from the FDIC that the institution is in a troubled condition.

(b)(8)

• [REDACTED]

(b)(8)

• [REDACTED]

- The DRR QFC team handles all technical and interpretive matters, and will work with you to develop strategies if problems arise. It's important that all interpretive questions are directed to the DRR QFC team so that we can be assured that the FDIC is providing banks with guidance that is both correct and consistent. If needed by the region, the DRR QFC team is available to assist in preparing summary reports regarding the region's banks' compliance with the Rule.
- The DRR QFC team has compiled and manages a QFC Q&A Guide.
- Although the Rule contemplates deadline extensions, at this time there have been no delegations of authority granted - any request from a bank for a deadline extension requires approval by the FDIC Board of Directors. In the rare cases where you anticipate that an institution may not meet the 60-day deadline for compliance, please contact the DRR QFC team as early as practical so that we can assist.

Information Needs for the QFC Database:

(b)(8)

[REDACTED]

- In addition to copying the QFC team on the notification letter, we need to have the e-mail address, phone and fax number of the bank officer contacted.
- Forward to the QFC team the initial responses which are due 3 business days after the notification letter is received by the bank.
- Although we should be copied on responses by the bank, in case we have been omitted please forward any responses when received.
- Notify the QFC team of any extension request. Since the extension requests will require FDIC Board of Directors approval the bank will also need to provide an update that details progress to date, the bank's work product at the time of the extension request and a reason detailing the need for the extension request.

We will try to make the notification process easier for you. If you have any questions regarding the notification or the attachments please do not hesitate to contact me by e-mail or *tel. _____ or * _____ (tel. _____) .

Thank you for your assistance,

*Insert information for applicable DRR/Capital Markets contacts.

E. QUALIFIED FINANCIAL CONTRACTS (QFC'S) – PART 371

10.4 Job Aid: QFC Database Administration Guide

Overview This job aid breaks out the steps necessary to administer the QFC database and generate reports used for implementing The Rule. Some steps involve database queries that identify troubled banks, other steps involve report generation.

Relational Guidance Part 371 QFC Recordkeeping Rule – Policy and Guidance for Implementation of Recordkeeping Rule

How to.... Administer the databases and reports under The Rule.

Step	Action
1	Select the priority and timing of institutions to be notified (<i>'QFC Recordkeeping Administration Timing Prioritization Job Aid'</i>).
2	Update the DRR QFC Recordkeeping Application for institutions that are to be sent notification letters (<i>'QFC Recordkeeping Administration Prepare For Notification Job Aid'</i>).
3	Record and track notification and response letters (<i>'QFC Recordkeeping Administration – Record Notification and Response Letters – Job Aid'</i>).
4	Request, record and track 60-day deliverables received from institutions (<i>'QFC Recordkeeping Administration – Record 60-Day Deliverables – Job Aid'</i>).
5	Report the efforts of institutions to satisfy the requirements (<i>'QFC Recordkeeping Administration – Reporting – Job Aid'</i>).

***There are additional, more detailed QFC Job Aids mentioned on this schedule which are not included in the PPM Manual. These Job Aids can be found on the Capital Markets SharePoint Site under QFC's.

E. QUALIFIED FINANCIAL CONTRACTS (QFC'S) – PART 371**10.5 Job Aid: Excel Template Table A1 & Table A2**

Table A1 - Position-Level Data			
Order	Field Name	Field Type	Field Description
1a	Position ID	Text	Unique position identifier.
1b	Position ID CUSIP	Text	CUSIP, if available.
2	Portfolio Location	Text	Portfolio location identifier (to identify the headquarters or branch where the position is booked).
3	Position Type	Text	Type of position (including the general nature of the reference asset or interest rate).
4	Position Purpose	Text	Purpose of the position (e.g. trading, hedging mortgage servicing, hedging certificates of deposit). If the purpose is hedging, include the general category of the item(s) hedged.
5	Termination Date	Date	Termination date (date the position terminates or is expected to terminate, expire, mature, or when final performance is required).
6	Next Call, Put or Cancellation Date	Date	Next call, put, or cancellation date.
7	Next Payment Date	Date	Next payment date.
8	Current Market Value	Currency	Current market value of the position (as of the date of the file).
9	Counterparty ID	Text	Unique counterparty identifier.
10	Position Amount	Currency	Notional or principal amount of the position (this is the notional amount, where applicable).
11	Documentation Status	Text	Documentation status of the position (e.g. affirmed, confirmed or neither affirmed nor confirmed)

Table A2 - Counterparty-Level Data			
Order	Field Name	Field Type	Field Description
1	Counterparty ID	Text	Unique counterparty identifier.
2	Market Value - All Positions	Currency	Current market value of all positions, as aggregated and, to the extent permitted under each applicable agreement, netted (as of the date of the file). If one or more positions cannot be netted against others, they should be maintained as separate entries.
3	Market Value - All Institution Collateral	Currency	Current market value of all collateral, if any, that the institution has posted against all positions with each counterparty.
4	Institution Collateral Type	Text	Type of collateral, if any, that the institution has posted against all positions with each counterparty.
5	Market Value - All Counterparty Collateral	Currency	Current market value of all collateral, if any, that the counterparty has posted against all positions.
6	Counterparty Collateral Type	Text	The type of collateral, if any, that the counterparty has posted against all positions.
7	Institution Collateral - Net	Currency	Institution's collateral excess or deficiency with respect to all of the institution's positions, as determined under each applicable agreement including thresholds and haircuts where applicable. If all positions are not secured by the same collateral, separate entries should be maintained for each position or set of positions secured by the same collateral.
8	Counterparty Collateral - Net	Currency	Counterparty's collateral excess or deficiency with respect to all of the institution's positions with each counterparty, as determined under each applicable agreement including thresholds and haircuts where applicable.
9	Institution Collateral - Net (Market Value)	Currency	Institution's collateral excess or deficiency with respect to all of the positions, based on the aggregate market value of the positions (after netting to the extent permitted under each applicable agreement) and the aggregate market value of all collateral

FDIC 12 CFR Part 371 - Table A1

Table A1 - Open Position-Level Data

1a	1b	2	3	4	5	6	7	8	9	10	11
Position ID	Position ID CUSIP	Portfolio Location	Position Type	Position Purpose	Termination Date	Next Call / Put / Cancellation Date	Next Payment Date	Current Market Value	Counterparty ID	Position Amount	Documentation Status

FDIC 12 CFR Part 371 - Table A2

Table A2 - Counterparty-Level Data

1a	1b	2	3	4	5	6	7	8	9	10	11
Position ID	Position ID CUSIP	Portfolio Location	Position Type	Position Purpose	Termination Date	Next Call / Put / Cancellation Date	Next Payment Date	Current Market Value	Counterparty ID	Position Amount	Documentation Status

(b)(4);(b)(5);(b)(6)

