

# SPOE Recap Method

Orderly G-SIB Resolution under the Bankruptcy Code –  
Practicalities and Prospective View

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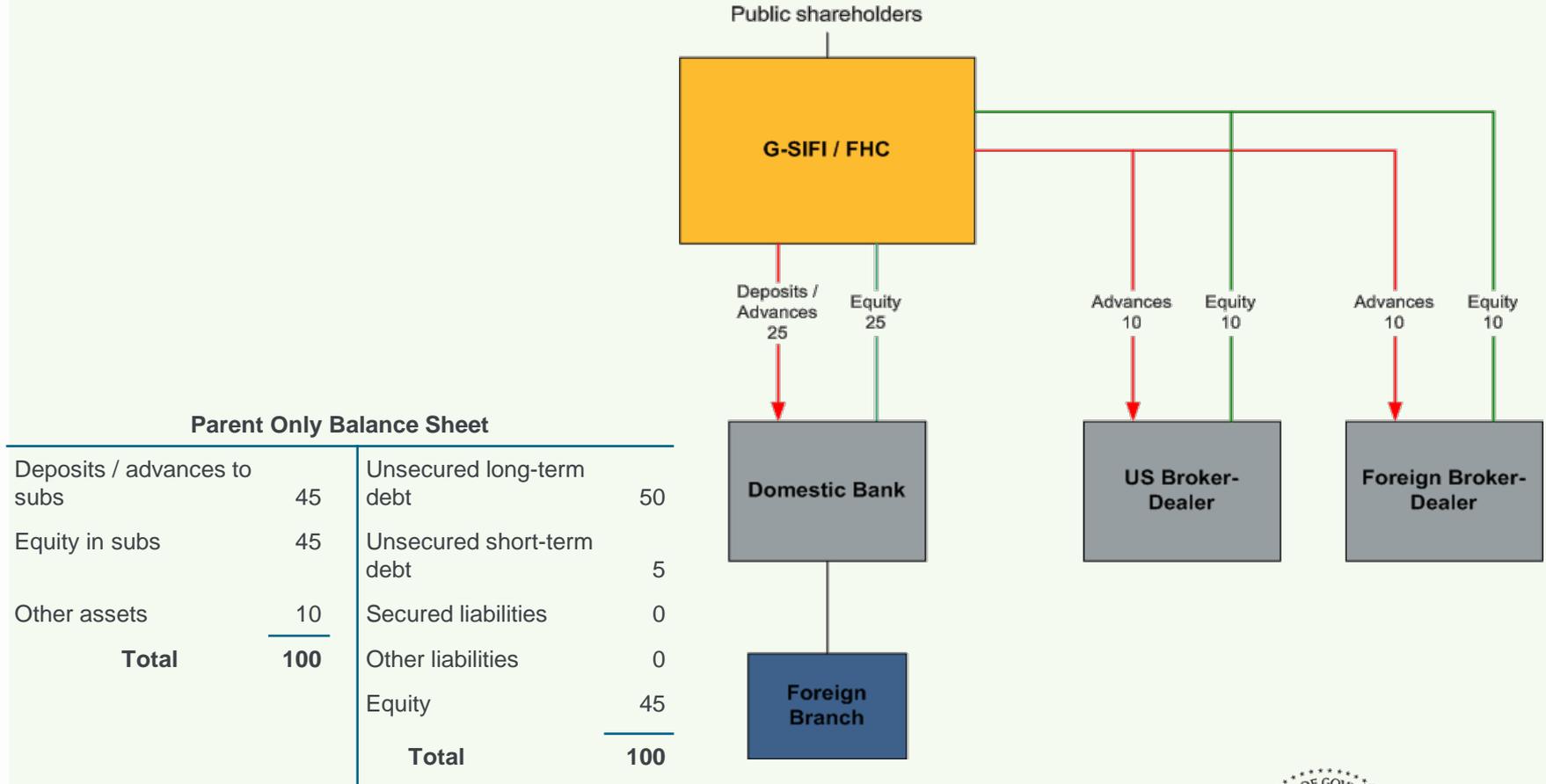
Federal Reserve Resolution Conference:  
Planning for the Orderly Resolution of a  
Global Systemically Important Bank (G-SIB)

October 18, 2013

Davis Polk & Wardwell LLP

# SPOE Recap Method

## Group Structure Before Recapitalization

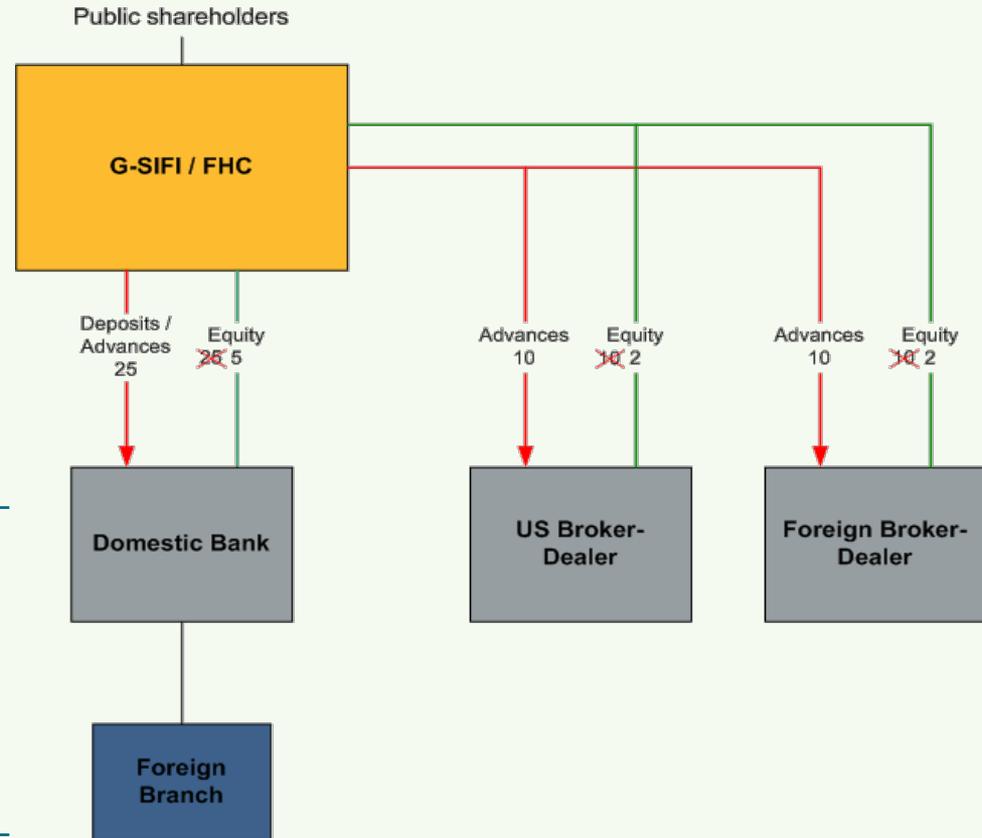


Parent Only Balance Sheet

Deposits / advances to subs	45	Unsecured long-term debt	50
Equity in subs	45	Unsecured short-term debt	5
Other assets	10	Secured liabilities	0
<b>Total</b>	<b>100</b>	Other liabilities	0
		Equity	45
		<b>Total</b>	<b>100</b>

# SPOE Recap Method

## Hypothetical Losses

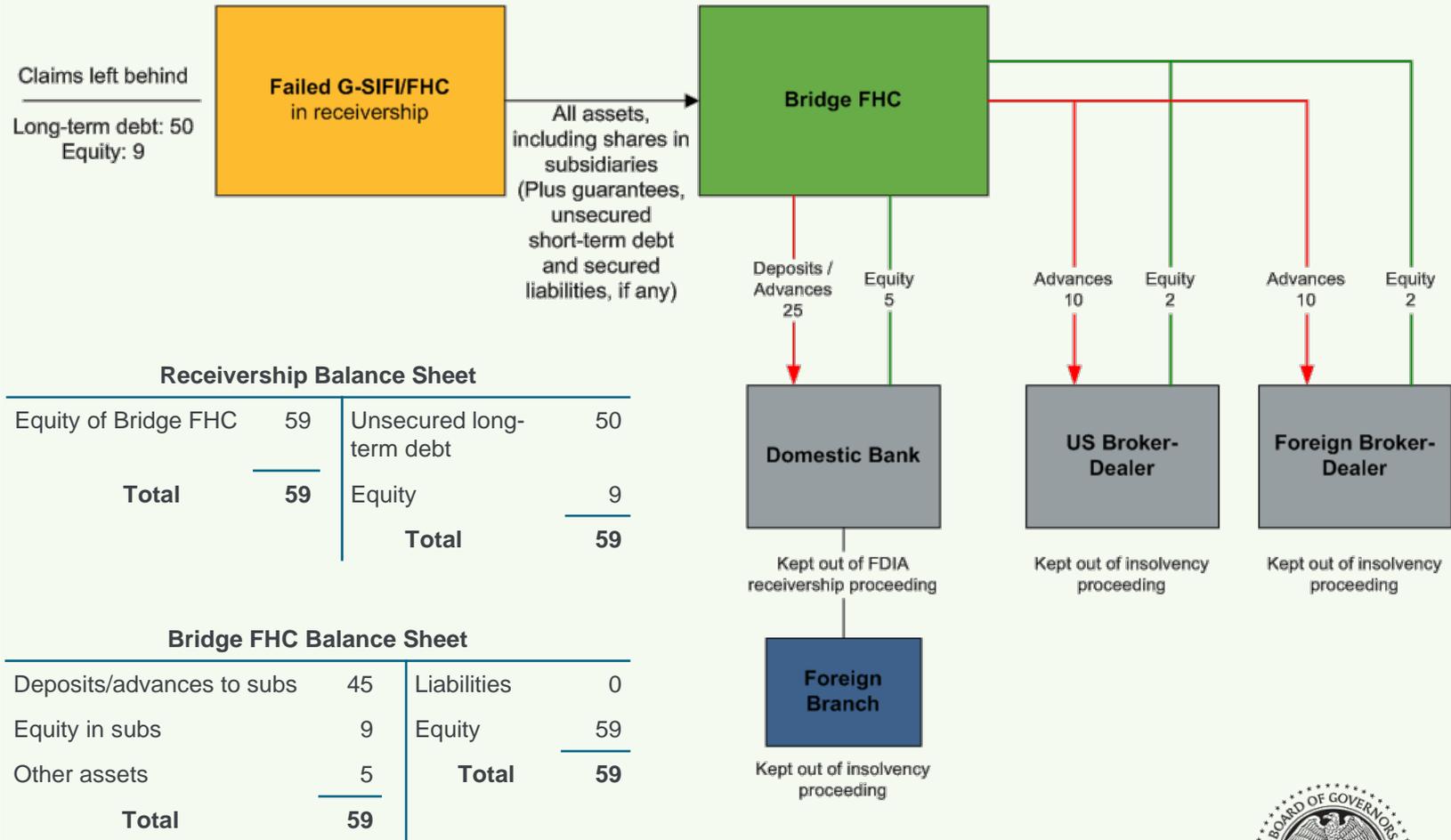


Parent Only Balance Sheet

Deposits / advances to subs	45	Unsecured long-term debt	50
Equity in subs	<b>9</b>	Unsecured short-term debt	<b>0</b>
Other assets	<b>5</b>	Secured liabilities	0
<b>Total</b>	<b>59</b>	Other liabilities	0
		Equity	<b>9</b>
		<b>Total</b>	<b>59</b>

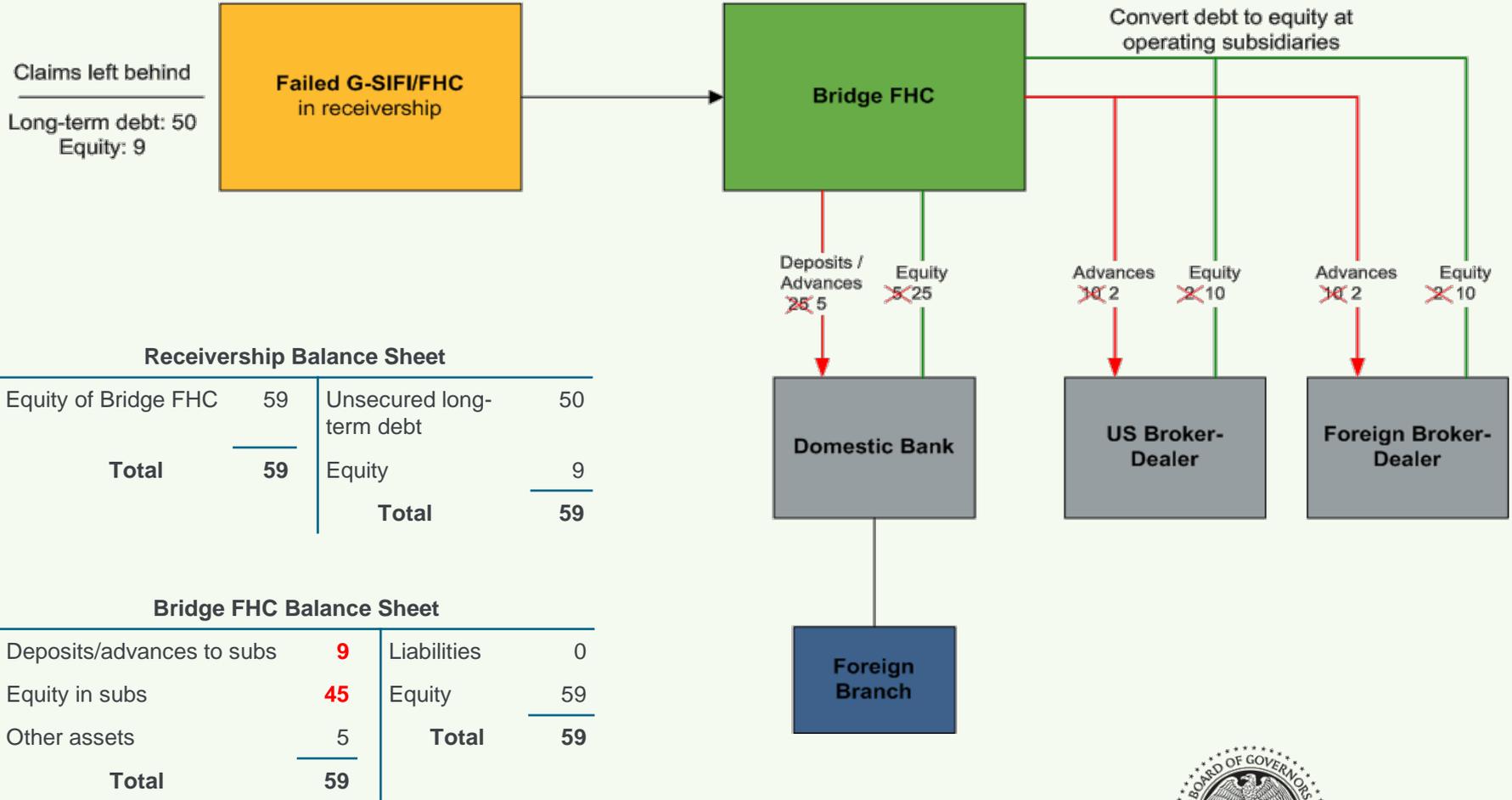
# SPOE Recap Method

## Step 1: Recapitalizing Business Transferred to Bridge Holdco



# SPOE Recap Method

## Step 2: Recapitalizing Operating Subsidiaries



# SPOE Recap Method

## Step 3: Distribution of Equity in Satisfaction of Claims

- Unsecured long-term debt claimants receive Bridge FHC shares worth 50 in satisfaction of their claim for 50
- Equity: 0



Shares in Bridge FHC distributed to left-behind claimants in satisfaction of claims in accordance with priority of claims



Deposits / Advances / ~~1~~

Equity 25



Kept out of FDIA receivership proceeding



Kept out of insolvency proceeding

Advances 2

Equity 10



Kept out of insolvency proceeding

Advances 2

Equity 10



Kept out of insolvency proceeding

Receivership Balance Sheet (Revalued)

Equity of Bridge FHC	<b>50</b>	Unsecured long-term debt	50
<b>Total</b>	<b>50</b>	Equity	<b>0</b>
		<b>Total</b>	<b>50</b>

Bridge FHC Balance Sheet (Revalued)

Deposits/advances to subs	<b>5</b>	Liabilities	0
Equity in subs	45	Equity	50
Other assets	<b>0</b>	<b>Total</b>	<b>50</b>
<b>Total</b>	<b>50</b>		

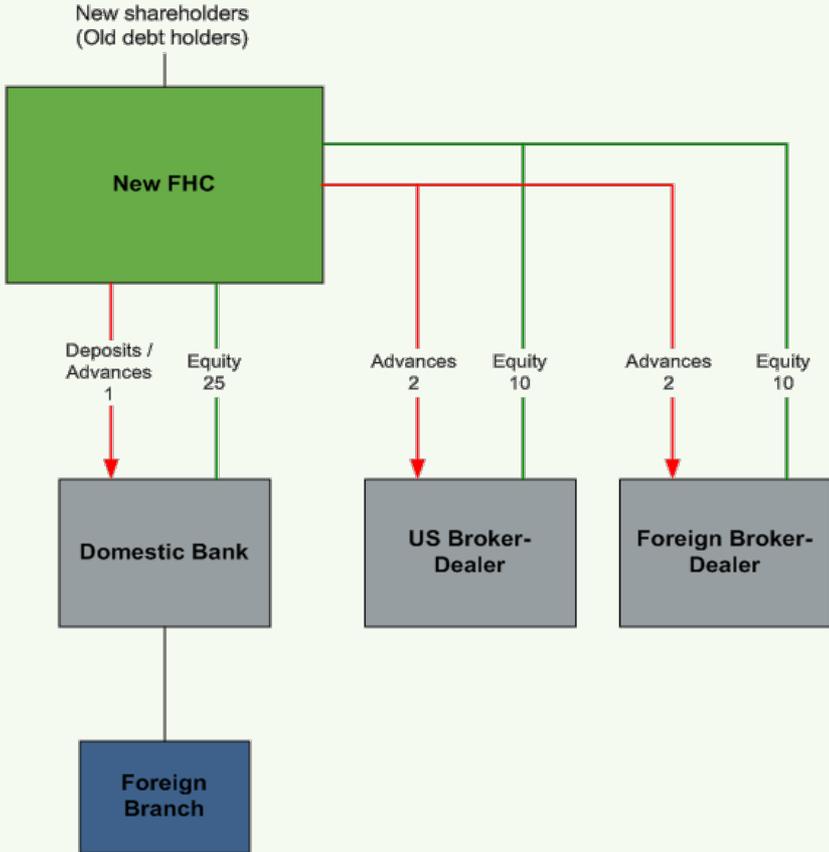


# SPOE Recap Method

## Step 4: Termination of Bridge Status

Failed G-SIFI/FHC  
in receivership

Bridge FHC  
converts into  
New FHC



New FHC Balance Sheet

Deposits/advances to subs	5	Liabilities	0
Equity in subs	45	Equity	50
Other assets	0	<b>Total</b>	<b>50</b>
<b>Total</b>	<b>50</b>		