

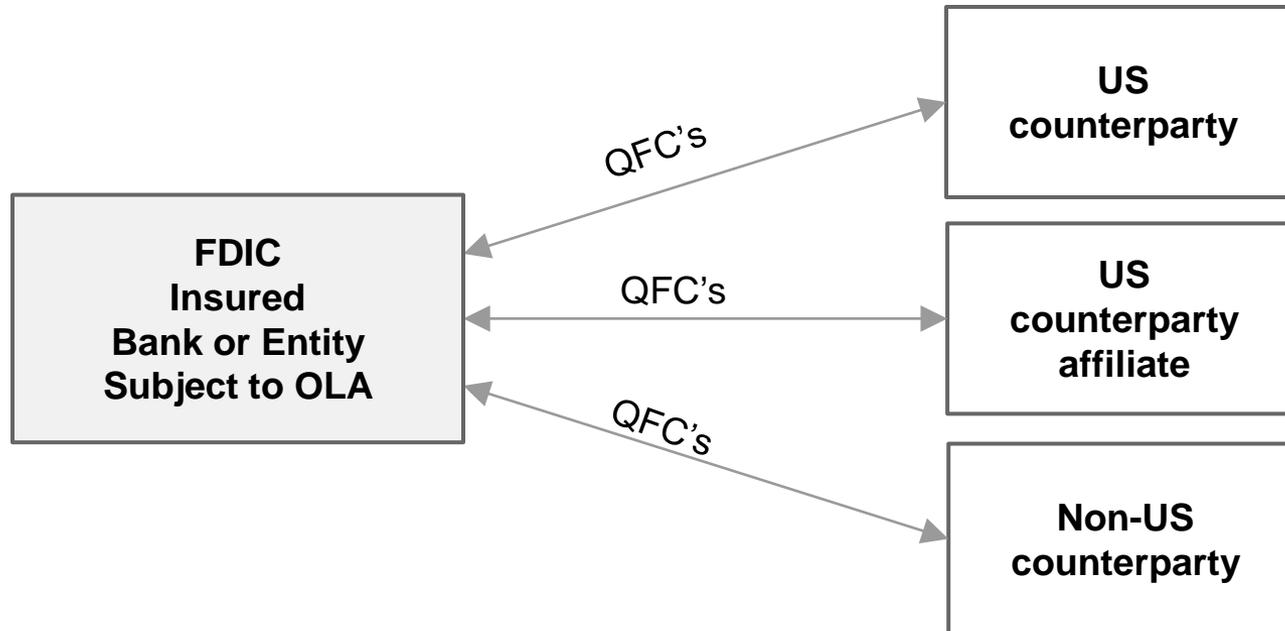


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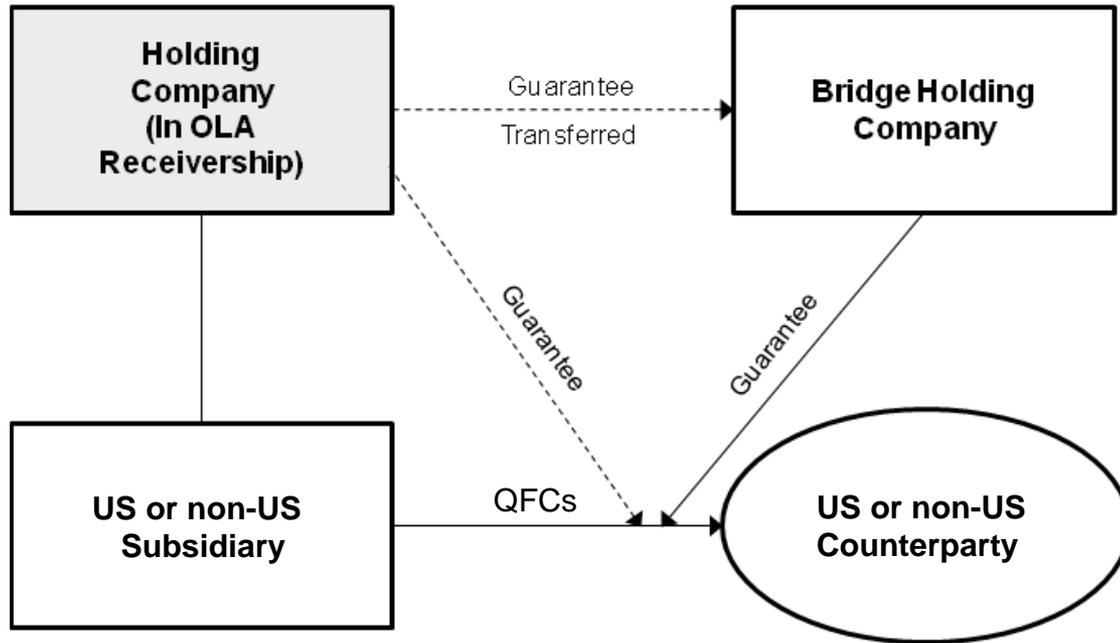
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# Nullification of Direct Defaults



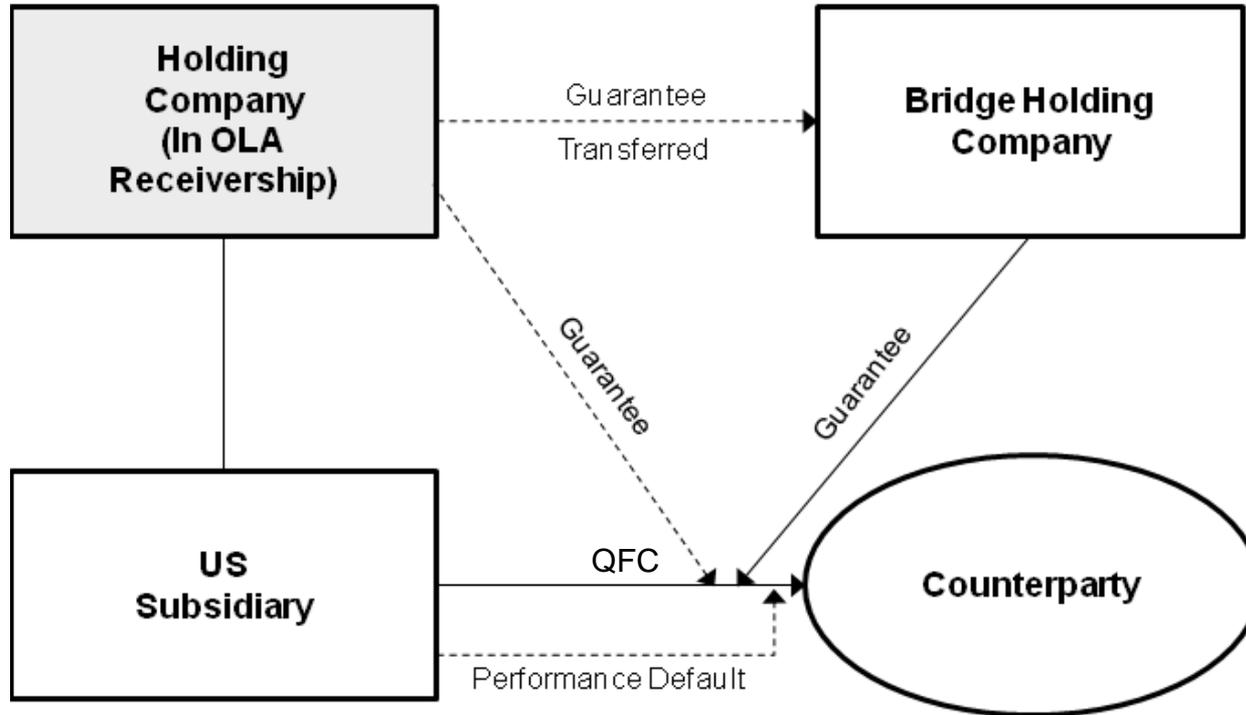
- If the FDIC insured bank is placed in an FDIC conservatorship, then none of the counterparties may exercise rights based on the appointment of the conservator, but can exercise rights based on a material non-performance default.
- If the FDIC insured bank (or Entity subject to OLA) is placed in an FDIC receivership, then the FDIC can nullify the default rights of the counterparties based on the appointment of the receiver if the FDIC transfers by the close of business on the business day following its appointment all QFCs with the counterparty and the counterparty's affiliates to an acquiror.
- Question: would a non-U.S. court enforce the direct default nullification, particularly in the case of the non-US counterparty, and QFCs governed by non-US law?

# Nullification of Cross-Defaults under OLA

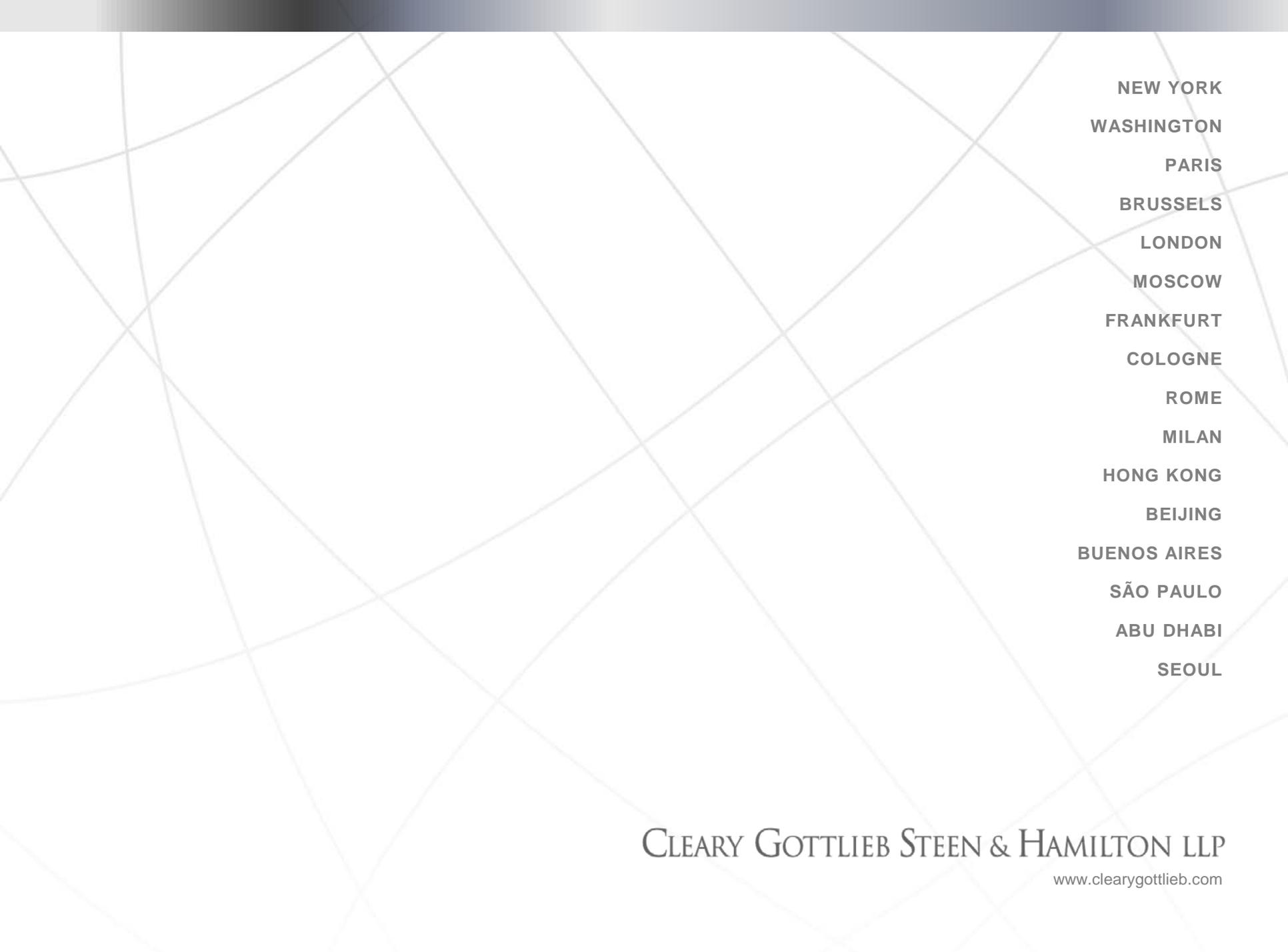


- Counterparty entered into a QFC with US Subsidiary. Holding Company guaranteed the QFC. Holding Company is placed into receivership proceedings under OLA, and the FDIC transfers the guarantee to Bridge Holding Company (or solvent third party) within one business day.
- Counterparty cannot close out the QFC with US or non-US Subsidiary based on a default of the Credit Support Provider triggered by the Holding Company's receivership under OLA.
- Question: would a non-US court enforce the cross-default nullification, particularly in the case of a non-US subsidiary, a non-US counterparty, and a non-US law governed QFC?

# Nullification of Cross-Defaults under OLA



- Same facts except US Subsidiary fails to make a payment or meet a margin call.
  - Counterparty can close out the QFCs.



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