November 21, 2008

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

Program	Description	Eligibility
Capital Purchase Program (CPP)	Treasury currently has indicated it will make up to $250B of senior preferred investments in banking institutions on standardized terms.	To date, neither U.S. subsidiaries nor U.S. branches of foreign banks are eligible. Treasury has statutory authority to include U.S. subsidiaries that are not "owned" by a foreign government. However, Treasury has excluded all foreign-controlled entities in its CPP guidelines and it is unclear whether Treasury will ever open the program to participation of U.S. subsidiaries.
Temporary Liquidity Guarantee Program (TLGP) — Debt Guarantee Program	The Federal Deposit Insurance Corporation ("FDIC") will guarantee through June 30, 2012, senior unsecured debt with a maturity greater than 30 days issued on or prior to June 30, 2009. The fee for the optional program will be tiered from 50 to 100bps annually based on maturity. The guarantee is capped at 125% of all senior unsecured debt outstanding as of Sept. 30, 2008, that is scheduled to mature before June 30, 2009.	FDIC-insured U.S. subsidiaries of foreign banks and U.S. bank holding company intermediate parent are eligible; U.S. branches of foreign banks are ineligible, whether or not FDIC-insured.
TLGP—Transaction Account Guarantee Program	The FDIC will provide unlimited insurance for non-interest bearing transaction accounts and certain NOW accounts through Dec. 31, 2009, as part of an optional program costing participants 10bps annually.	FDIC-insured U.S. subsidiaries and the 11 grandfathered, FDIC-insured U.S. branches of foreign banks are eligible; other U.S. branches of foreign banks are not FDIC-insured and thus are ineligible.

Program	**Description**	**Eligibility**
Deposit Insurance Increase	The Emergency Economic Stabilization Act temporarily raised the basic limit on federal deposit insurance coverage to $250,000 through Dec. 31, 2009.	FDIC-insured U.S. subsidiaries and the 11 grandfathered, FDIC-insured U.S. branches of foreign banks are eligible; other U.S. branches of foreign banks are not FDIC-insured and thus are ineligible.
Program for Systemically Significant Failing Institutions (PSSFI)	Treasury is authorized to purchase assets directly from a financial institution, including securities or obligations issued by the institution.	AIG was the first firm to receive assistance under this program with a $40B purchase of senior preferred stock on Nov. 12, 2008. It remains unclear whether and how the Treasury will use this program to aid other firms, but it is unlikely U.S. subsidiaries or branches of foreign banks will be beneficiaries.
Commercial Paper Funding Facility (CPFF)	The Federal Reserve Bank of New York will finance purchases of eligible 3-month unsecured and asset-backed commercial paper of U.S. issuers through a special purpose vehicle.	Both U.S. subsidiaries and U.S. branches of foreign banks are eligible. The U.S. subsidiary or branch may not sell commercial paper issued by non-U.S. offices or affiliates to the SPV.
Asset Purchase Program (APP)	Treasury is authorized to engage in reverse auction and other market purchases of troubled assets, although it has indicated that it does not expect to pursue such a program at this time.	Both U.S. subsidiaries and U.S. branches of foreign banks are eligible if they have “significant operations” in the U.S. and are not “owned” by a foreign government. What constitutes “ownership” has not yet been defined.
Asset Guaranty Program (AGP)	Treasury is authorized to provide guarantees of up to 100% of principal and interest on certain troubled assets, although it has indicated that it does not expect to pursue such a program at this time.	Both U.S. subsidiaries and U.S. branches of foreign banks are eligible if they have “significant operations” in the U.S. and are not “owned” by a foreign government. What constitutes “ownership” has not yet been defined.