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Below is a summary of the discussion that took place on Tuesday, September 9 among market participants on the characterization under the 2002 ISDA Equity Derivatives Definitions of the announcement to place the Federal Home Loan Corporation ("Freddie Mac", or "Freddie") and the Federal National Mortgage Association ("Fannie Mae", or "Fannie") into conservatorship. Members discussed the applicability of the "Nationalization", "Insolvency" and "Insolvency Filing" definitions in turn, and conclusions for each are as follows:

Nationalization:

The general consensus of discussion participants was that a Nationalization has not occurred under Section 12.6(a)(i) of the 2002 Equity Derivatives Definitions because neither all the Shares nor all or substantially all the assets of Freddie and Fannie have been either transferred to the Federal Housing Finance Agency or nationalized. Discussion participants noted that the establishment of the conservatorship is a change in management where *control* of Freddie and Fannie have been transferred to the FHFA but not the *assets* of either. Discussion participants also shared the view that a "nationalization" had not occurred because the Shares of Freddie and Fannie remain in the hands of private shareholders and are traded.

The group analogized the establishment of the conservatorship here to a conservatorship of a bank under the Federal Deposit Insurance Act, which is a statutory process that is planned as a temporary measure with the objective of managing the bank to a position where it can be sold or resume operation. This is directly parallel to the statement of the Secretary of the Treasury to the effect that the Freddie and Fannie conservatorship should be viewed as a temporary "time-out" for purposes of stabilization, pending public debate and resolution of the roles of the two institutions. It has never been suggested that a bank conservatorship under the FDIA would constitute a Nationalization of the bank (despite the conservator's taking nominal title of bank assets), and the general view is that this conservatorship, involving similar treatment of assets, should not be so characterized either.

Insolvency:

The general consensus of discussion participants was that an Insolvency has not occurred under Section 12.6(a)(ii) of the 2002 Equity Derivatives Definitions, notwithstanding that a Bankruptcy Credit Event has been deemed to occur under Section 4.2 of the 2003 Credit

Derivatives Definitions. None of the Shares of Freddie or Fannie are required to be transferred to a trustee, liquidator or similar official and no holder of Shares of Freddie or Fannie is legally prohibited from transferring them.

Insolvency Filing:

The majority view among participants was that an Insolvency Filing has occurred under Section 12.9(a)(iv) of the 2002 Equity Derivatives Definitions. Many members agreed that the FHFA would constitute a regulator with rehabilitative jurisdiction who has instituted a proceeding seeking relief under a statute that affects creditor's rights and that the Housing and Economic Recovery Act of 2008 contained many insolvency provisions that are nearly identical to those in existing bankruptcy or insolvency laws. Some participants questioned whether the establishment of the conservatorship satisfied the definitional requirement of a "proceeding seeking a judgment of insolvency or bankruptcy or any other relief" and whether the actions by the conservator had affected creditors' rights, because debtholders will still be paid; however, it was noted that the conservator has the power to transfer contracts to third parties, and to repudiate contracts unfavorable to Freddie and Fannie and contracts it deems to be fraudulent transfers or preferences, and that there is a prohibition on terminating contracts with Freddie and Fannie similar to what would be seen in a bank conservatorship (and broader stays, both by order and automatic). Certain discussion participants noted that if this conservatorship did not satisfy the definition of "Insolvency Filing", then similar circumstances involving the appointment of a bank conservatorship under the Federal Deposit Insurance Act (or analogous insurance company or other specialized institution processes) may not as well.

Finally, with respect to the Insolvency Filing event, it should be noted that it is an Additional Disruption Event and not an Extraordinary Event, and therefore it does not apply unless elected in the Confirmation to the relevant Transaction.

Do not hesitate to contact Rosario Chiarenza (rchiarenza@isda.org) with any questions.