



## Disclosure Regarding Required Provisions in Certain Swaps and Other Qualified Financial Contracts

### QFC Stay Rules

Rules published in 2017 by the U.S. banking regulators<sup>1</sup> (the “**QFC Stay Rules**”) require Wells Fargo Corporation and all of its subsidiaries (“Wells Fargo”, “we”, “us” or “our”) to include specific provisions in certain of our “qualified financial contracts” with you.<sup>2</sup> “Qualified financial contract” or “**QFC**” refers to a broad array of contracts, including but not limited to swap agreements, securities contracts, commodities contracts, forward contracts, repurchase agreements, and options on the above. Master agreements governing entry into, collateral arrangements securing, and guarantees guaranteeing QFCs are also themselves QFCs. A complete definition of QFC is located at 12 U.S.C. §5390(c)(8)(D)(i) and is available at the following [link](#).<sup>3</sup>

The QFC Stay Rules require us, with limited exceptions, to ensure that any QFC we have with you that has transfer restrictions or default rights exercisable against us (an “**In-Scope QFC**”):

- Expressly recognizes the applicability of the stay-and-transfer provisions of the Federal Deposit Insurance Act and the Orderly Liquidation Authority (referred to as the Express Recognition Provisions); and
- Prohibits the exercise of default rights related, directly or indirectly, to an affiliate of a Covered Entity entering into insolvency proceedings and prohibit the restriction on transfer of any guarantee or other credit support provided by an affiliate of the Covered Entity upon such affiliate becoming subject to an insolvency proceeding, unless the transfer would result in the counterparty benefiting from the covered credit support in violation of any applicable laws (referred to as the Contractual Restrictions Provisions).

We are required to remediate all In-Scope QFCs with you, including In-Scope QFCs entered into prior to 2019, if you or any of your affiliates enter into a new QFC with us or any of our affiliates on or after January 1, 2019.<sup>4</sup> We are required to do so by a compliance date that, depending on your status, will generally be either July 1, 2019 or January 1, 2020.

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<sup>1</sup> Specifically, the Office of the Comptroller of the Currency (**OCC**), the Board of Governors of the Federal Reserve System (**Federal Reserve**) and the Federal Deposit Insurance Corporation (**FDIC**).

<sup>2</sup> See 12 CFR §§ 47.1-8, 252.2, 252.81-88, and 382.1-7.

<sup>3</sup> <https://www.govinfo.gov/content/pkg/USCODE-2014-title12/pdf/USCODE-2014-title12-chap53-subchapII-sec5390.pdf>

<sup>4</sup> In certain circumstances, a material amendment to an existing QFC will be treated as a new QFC for these purposes.

## **Our Compliance with the QFC Stay Rules**

In order for us to comply with the QFC Stay Rules, we have or will be asking you to either (1) adhere to the ISDA 2018 U.S. Resolution Stay Protocol (**Protocol**) published by the International Swaps and Derivatives Association, Inc. (**ISDA**), located at the following [link](#)<sup>5</sup>, or (2) execute a bilateral agreement, such as “Agreement to Amend Certain Qualified Financial Contracts” (**Bilateral QFC Amendment Agreement**), located at the following [link](#)<sup>6</sup> and also published by ISDA, and return it to [WFQFCRegulatoryInformation@wellsfargo.com](mailto:WFQFCRegulatoryInformation@wellsfargo.com). We will also be asking you to in new agreements, on a going forward basis, language that has a similar effect. We will be asking you to do so by a deadline that, depending on your status, will generally be either July 1, 2019 or January 1, 2020.

## **The Language Incorporated Into Our QFCs with You through the Protocol or the Bilateral QFC Amendment Agreement May Affect Your Rights Under the QFCs**

The language incorporated into our QFCs with you through the Protocol or the Bilateral QFC Amendment Agreement may limit your rights against us under the amended In-Scope QFCs in the event we or our affiliates become subject to a resolution scenario. The QFC Stay Rules require In-Scope QFCs to include certain provisions that may limit or delay your ability to exercise default rights (such as the right to terminate a contract or foreclose on collateral) or limit your ability to prevent a transfer of the In-Scope QFC and any associated credit support to another counterparty in the event any Wells Fargo entity becomes subject to a bankruptcy, insolvency, resolution, or similar proceeding. However, the Protocol and the Bilateral QFC Amendment Agreement provide certain creditor protections that would preserve your ability to exercise default rights in certain circumstances (such as in a situation where we default on a payment or delivery obligation under the QFC) even if we were to become subject to a bankruptcy, insolvency, resolution or similar proceeding (other than a proceeding under the Federal Deposit Insurance Act or the Orderly Liquidation Authority).

The Protocol provides certain creditor protections that are not available via the Bilateral QFC Amendment Agreement, particularly in situations where you are the beneficiary of a guarantee that has been extended by a Wells Fargo entity. ISDA has published a comparison of the creditor protections in the Protocol and the creditor protections permitted for inclusion in a bilateral amendment pursuant to the requirements of the QFC Stay Rules, which is available [here](#).<sup>7</sup> By adhering to the Protocol, you also expressly acknowledge the potential applicability of the special resolution regimes in France, Germany Japan, Switzerland and the United Kingdom with respect to your In-Scope QFCs with other Protocol adherents, depending on their place of incorporation and other factors. You should carefully review the differences in creditor protections available under the Protocol and the Bilateral QFC Amendment Agreement as well as the other differences

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<sup>5</sup> <https://www.isda.org/protocol/isda-2018-us-resolution-stay-protocol>

<sup>6</sup> <https://www.wellsfargo.com/assets/pdf/commercial/swap-disclosures/isda-materials/isda-bespoke-qfc-template.pdf>

<sup>7</sup> <https://www.isda.org/a/EZjEE/Comparison-of-Creditor-Protections-ISDA-2018-U.S.-Resolution-Stay-Protocol-versus-Bilateral-Agreement.pdf>

between the two approaches, including with your legal representative, before deciding which method to pursue.

**The QFC Stay Rules May Limit Our Ability to Continue to Transact With You If You Do Not Adhere to the Protocol or Sign the Bilateral QFC Amendment Agreement**

We are required to remediate all In-Scope QFCs between you and your affiliates and us and our affiliates by the relevant compliance deadline in order to comply with the requirements of the QFC Stay Rules. If you do not adhere to the Protocol or sign the Bilateral QFC Amendment Agreement, we may not be able to transact in QFCs with you or your affiliates, and may need to take steps to limit our regulatory exposure on existing QFCs, including but not limited to terminating our relationship with you and unwinding some or all of the QFCs between you and us.

**Other Risks and Considerations**

This Disclosure does not constitute, and is not intended to provide, legal advice, and no legal or business decision should be based on its contents. You should consult with counsel and such other professional advisors as may be deemed appropriate under the circumstances prior to making any decision relating to the regulatory developments discussed herein. This disclosure has been prepared solely for informational purposes and is not a recommendation, offer, or a solicitation of an offer, to buy, sell, borrow, or loan any security, derivative, or instrument or to participate in any particular trading strategy. You must make your own investigation of, and decisions relating to, the information herein. We assume no responsibility for, and make no representation or warranty regarding, the information contained in this document, including its accuracy, completeness, suitability, or timeliness.

We assume no duty to update the foregoing.