

**Israel Discount Bank Ltd.**

**Resolution Plan for United States Operations**

**Public Section**

**December 14, 2016**



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## Executive Summary

### A. U.S. Resolution Plan Requirements

Israel Discount Bank Ltd. (“IDB Ltd.”) is a universal bank headquartered in Tel Aviv, Israel, with approximately \$52.6 billion in total consolidated assets as of December 31, 2015.<sup>1</sup> In the United States, IDB Ltd. operates through Israel Discount Bank of New York (“IDBNY”), New York, New York, which had approximately \$9.32 billion in total consolidated assets as of December 31, 2015. IDBNY is a direct, wholly-owned subsidiary of Discount Bancorp, Inc. (“Discount Bancorp”), New York, New York, a bank holding company (“BHC”) established for the principal purpose of owning the shares of IDBNY. Discount Bancorp does not own significant subsidiaries, or conduct significant operations, other than through IDBNY.

This resolution plan (“Resolution Plan”) has been prepared in accordance with the requirements of Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Section 165(d)” and the “Dodd-Frank Act,” respectively) and implementing regulations (the “U.S. Resolution Regulations”) promulgated by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Federal Deposit Insurance Corporation (the “FDIC”) (together, the “Agencies”).<sup>2</sup> Section 165(d) and the U.S. Resolution Regulations require “Covered Companies” such as IDB Ltd. to file plans for the rapid and orderly resolution of their U.S. operations in the event the Covered Company experiences material financial distress or failure, including actions taken to prevent or mitigate any adverse effects on the financial stability of the United States. The U.S. Resolution Regulations also provide that if a material entity of a Covered Company is subject to an insolvency regime other than the U.S. Bankruptcy Code, the Covered Company may exclude that entity from its strategic analysis unless that entity either has \$50 billion or more in total consolidated assets or conducts a critical operation.

The U.S. Resolution Regulations provide that the information a foreign-based Covered Company must include in each section of its U.S. resolution plan (other than in the interconnections and interdependencies analysis) is only with respect to “subsidiaries, branches, and agencies, critical operations and core business lines, as applicable, that are *domiciled in the United States or conducted in whole or in material part in the United States.*”<sup>3</sup> The U.S. Resolution Regulations further provide that the interconnections and interdependencies analysis “shall identify, describe in detail, and map to legal entities the interdependencies and interconnections analysis among U.S. subsidiaries, branches and agencies, critical operations and core business lines of the foreign-based covered company and any foreign-based affiliate.”<sup>4</sup>

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<sup>1</sup> All Dollar amounts herein are United States Dollars. Figures converted from New Israeli Shekels (₪) are based on the conversion rate prevailing on December 31, 2015 (₪3.902 = \$1).

<sup>2</sup> 12 U.S.C. § 5365; 12 C.F.R.C.F.R. 243; 12 C.F.R.C.F.R. 381 (the “U.S. Resolution Regulations”).

<sup>3</sup> 12 C.F.R. 243.4(a)(2)(i); 12 C.F.R. 381.4(a)(2)(i) (emphasis added).

<sup>4</sup> 12 C.F.R. 243.4(a)(2); 12 C.F.R. 381.4(a)(2)(i).

The Agencies have reviewed the resolution plan that IDB Ltd. submitted in December 2015 and have jointly determined, via a joint-agency letter (the “Notification Letter”), to reduce the informational content that IDB Ltd. will be required to provide in the Resolution Plan (i.e., to file a “Reduced Plan”, as defined in the Notification Letter), provided that IDB Ltd. meets the Conditions for Reduced Plans (as defined in the Notification Letter). In accordance with the Notification Letter and the U.S. Resolution Regulations, the information included in the Reduced Plan’s strategic analysis, organizational structure and management information systems is limited to the Covered Company and its nonbanking material entities and operations that are domiciled or conducted in whole or in material part in the United States. As a result, the Reduced Plan generally involves less focus on the IDI subsidiary of a Covered Company, which, in the event of its failure, will be subject to a standardized resolution process that is familiar to the Agencies.

IDB Ltd.’s sole material entity in the United States that would be subject to the U.S. Bankruptcy Code in the event of insolvency is Discount Bancorp. IDB Ltd.’s Resolution Plan therefore provides the information required for a Reduced Plan, and the strategic analysis focuses on the resolution of Discount Bancorp.

## **B. Key Elements of the Resolution Plan**

### **1. Overview of Businesses**

IDB Ltd. is a banking organization in Israel, and provides a full range of corporate and retail financial products in Israel and certain key financial centers outside of Israel. IDB Ltd. is a “Covered Company” for purposes of Section 165(d) and the U.S. Resolution Regulations because its total consolidated assets exceed \$50 billion and it owns a BHC and an IDI in the United States. In accordance with the Notification Letter, IDB Ltd. is required to file its annual U.S. resolution plan no later than December 31, 2016.

IDB Ltd. has a limited presence in the United States and a relatively non-complex organizational structure for its U.S. activities. IDB Ltd. does not operate any branches or agencies in the United States, and does not conduct any “critical operations” that are domiciled in the United States or that are conducted in whole or material part in the United States. For purposes of the U.S. Resolution Regulations, “critical operations” are defined as “operations of the covered company, including associated services, functions and support, the failure or discontinuation of which, in the view of the covered company or as jointly directed by the Board and the FDIC would pose a threat to the financial stability of the United States.”<sup>5</sup>

IDB Ltd.’s U.S. operations are centralized through ownership of Discount Bancorp, a BHC supervised by the Federal Reserve, which had approximately \$9.32 billion in total consolidated assets in the United States as of December 31, 2015. Discount Bancorp is not an operating company and its principal purpose is to hold the shares of IDBNY, an FDIC-insured, New York-chartered IDI that is not a member of the Federal Reserve System. Discount Bancorp has two direct subsidiaries, IDBNY, which had approximately \$9.32 billion in total consolidated

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<sup>5</sup> 12 C.F.R. 243.2(g); 12 C.F.R. 381.2(g).

assets as of December 31, 2015 and DB Properties, Inc. (“DB Properties”), which had approximately \$522 thousand in total consolidated assets as of December 31, 2015.

IDBNY is supervised by the New York Department of Financial Services (the “NYDFS”) and the FDIC. IDBNY has four direct wholly-owned subsidiaries and one indirect subsidiary. The majority of such subsidiaries are not operating companies. The exception is IDB Capital Corp. (“IDB Capital”), a securities broker-dealer registered with the Securities and Exchange Commission (the “SEC”) and a member of the Financial Industry Regulatory Authority (“FINRA”). IDB Capital provides retail securities brokerages services principally to customers of IDBNY’s private banking divisions.

To the extent IDB Ltd. maintains any core business lines in the United States, all such core business lines are conducted through IDBNY and its subsidiaries. As of December 31, 2015, IDB Ltd. conducts its activities through the following four divisions, which constitute its global core business lines: (i) Banking; (ii) Corporate; (iii) Finance; and (iv) Customer Assets. IDBNY’s core business lines are: (i) U.S. Private Banking; (ii) International Private Banking; (iii) Middle Market Lending; (iv) Commercial Lending; (v) Asset-Based Lending; and (vi) Trade and Finance. IDBNY’s business model is not reliant, to any significant extent, on IDB Ltd.’s core business lines to attract and retain customers for its own core business lines.

The members of IDBNY’s Senior Management report to IDBNY’s Chief Executive Officer (“CEO”), who reports to IDB Ltd.’s CEO, rather than to executives outside the United States. IDBNY managers routinely communicate with their counterparts at IDB regarding professional matters.

This Resolution Plan is based in part on a review of the U.S. operations of IDB Ltd. to determine which of its entities constitute “material entities” for purposes of its U.S. resolution plan. The term “material entity” is defined as “a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line.”<sup>6</sup> Based on the review conducted in light of this definition, the material entities for purpose of its Resolution Plan are Discount Bancorp and IDBNY.

## **2. Overview of Strategic Analysis, Resolution Actions and Impacts**

As described in this Resolution Plan, Discount Bancorp, the BHC parent of IDB Ltd.’s consolidated U.S. operations, could be resolved under chapter 11 of the Bankruptcy Code in a rapid and orderly manner with minimal adverse effects to the financial stability of the United States. This conclusion is based on the nature and size of the operations of Discount Bancorp, a BHC with approximately \$9.32 billion in consolidated assets in the United States and with a single material subsidiary. The management of IDB Ltd. and Discount Bancorp would work closely with the Agencies and other relevant regulators at or prior to the point at which IDB Ltd. began to experience material financial distress.

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<sup>6</sup> 12 C.F.R. 328.2(l); 12 C.F.R. 381.2(l).

The main resolution strategy would be to sell IDB NY either before or shortly after Discount Bancorp files a petition in Bankruptcy. The sale would be accomplished through an FDIC receivership or pursuant to section 363 of the Bankruptcy Code (or pursuant to a chapter 11 plan of reorganization). In accordance with regulatory expectations, the Resolution Plan assumes that the Covered Company and its material entities fail contemporaneously. As a result, IDB Ltd.'s material entities, Discount Bancorp would enter into chapter 11 proceedings and IDB NY would be subject to FDIC receivership shortly before IDB Ltd. itself would enter into an Israeli insolvency proceeding. Once the FDIC is appointed receiver of IDB NY, it would likely attempt to sell IDB NY as a whole over a weekend. The FDIC could also establish a bridge bank, which would provide it with additional time and flexibility to sell the bridge bank as a whole or to sell its constituent parts. Notably, this resolution strategy is IDB Ltd.'s preferred resolution strategy in the event of its material financial distress or failure, notwithstanding the prevailing economic conditions, including in the event of adverse economic conditions. This strategy is highly effective because it would not be disruptive to U.S. financial stability and is likely to be cost-effective and lead to a rapid and orderly resolution, while maximizing the value of the entities involved, limiting risks to the Deposit Insurance Fund (the "DIF") and minimizing risks to the U.S. financial system. A less desirable approach would be to liquidate IDB NY and its subsidiaries, which would likely be more disruptive to the economy (but still not materially adverse) as well as more costly to the FDIC than the preferred resolution alternatives.

## **II. Material Entities**

The U.S. Resolution Regulations define a material entity as "a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line (as defined in this part)."<sup>7</sup> IDB Ltd. has no critical operations.

IDB Ltd. has determined that its material legal entities are Discount Bancorp and IDB NY. While Discount Bancorp has no operations of its own, it is the parent holding company of IDB NY and owns all the shares of IDB NY. Pursuant to the Bank Holding Company Act of 1956, as amended, Discount Bancorp is also required to serve as a "source of strength" to IDB NY. Based on its role and significance to IDB NY and all core business lines conducted within IDB NY, Discount Bancorp is viewed by IDB Ltd. as a material entity for purposes of the Resolution Plan.

IDB Ltd. also views IDB NY as a material entity for purposes of the Resolution Plan. As of December 31, 2015, IDB NY had total consolidated assets of approximately \$9.32 billion and constituted greater than 99% of Discount Bancorp's total consolidated assets. IDB NY also employed approximately 464 employees, who constituted the vast majority of employees of IDB Ltd.'s operations in the United States.

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<sup>7</sup> 12 C.F.R. 328.2(1).

### III. Core Business Lines

A core business line is defined as a business, including its associated operations, services, functions and support that upon failure would result in a material loss of revenue, profit or franchise value of the Covered Company.

IDB Ltd. operates the following four business divisions, which are its core business lines for purposes of this Resolution Plan:

1. Banking. The Banking Division conducts business with households, VIP customers, small companies and businesses, middle-market corporations and customers of direct banking. This division is also responsible for the operation of investment and pension consultants operating in branches and investment centers outside of the United States.
2. Corporate. The Corporate Division is responsible for operations with large corporations, and is also responsible for specific customer segments: construction and real estate project finance, infrastructure projects and large capital markets operations.
3. Finance. The Finance Division is responsible for the management of market and liquidity risk, management of NOSTRO accounts, as well as the operation of dealing rooms.
4. Customer Assets. The Customer Asset Division is responsible for private banking activities as well as pension and securities advisory services. The division is also responsible for developing and managing financial products offered to all customer segments.

IDB Ltd. conducts business activities in the United States solely through IDB NY and its subsidiaries. The executives responsible for IDB NY's core business lines report to IDB NY's CEO rather than to a business leader in the home office. IDB NY's CEO reports to IDB Ltd.'s CEO. IDB NY's business model is not reliant, to any significant extent, on IDB Ltd.'s core business lines to attract and retain customers for its own core business lines.

IDB Ltd. reports its operations in accordance with the instructions of the Israeli Supervisor of Banks under the following six operating segments: Retail Banking (Household segment), Retail Banking (Small Business segment), Corporate Banking, Middle Market Banking, Private Banking and the Financial Management segment. IDB Ltd. reports activities by business segments but it manages activities in local markets through local material legal entities.

IDB Ltd. conducts its business activities in the United States through IDB NY. IDB NY's core business lines are:

- Private Banking;
- International Private Banking;

- Middle Market Lending;
- Asset Based Lending;
- Commercial Real Estate Lending; and
- Trade and Finance

Pursuant to the Reduced Plan requirements, the covered company may exclude from its strategic analysis, a description of core business lines conducted through its IDI.

#### **IV. Summary Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources**

##### **A. Financial Information for IDB Ltd.**

The consolidated balance sheet of IDB Ltd. as of December 31, 2015 follows and is shown in New Israeli Shekels (₪) and U.S. dollars (\$), based on the conversion rate prevailing on December 31, 2015 (₪3.902 = \$1):

(in millions)

##### **Assets**

Cash and deposits with banks	₪ 28,518	\$7,309
Securities	₪ 38,935	\$9,978
Securities borrowed or purchased under resale agreements	₪ 279	\$72
Credit to the public	₪ 129,268	\$33,129
Provision for credit loss	(2,052₪)	\$ -526
Credit to the public, net	₪ 127,216	\$32,603
Credit to Governments	₪ 515	\$132
Investments in affiliated companies	₪ 144	\$37
Buildings and equipment	₪ 2,175	\$557
Intangible assets and goodwill	₪ 142	\$36
Assets in respect of derivative instruments	₪ 3,208	\$822
Other assets	₪ 3,696	\$947
Noncurrent Assets held for sale	₪ 432	\$111
<b>Total Assets</b>	<b>₪ 205,260</b>	<b>\$52,604</b>

##### **Liabilities and Equity**

Deposits from the public	₪ 157,404	\$40,339
Deposits from banks	₪ 3,907	\$1,001
Deposits from the Government	₪ 777	\$ 199
Securities loaned or sold under repurchase agreements	₪ 3,833	\$982
Subordinated debt notes	₪ 9,570	\$2,453
Liabilities in respect of derivative instruments	₪ 3,475	\$891
Other liabilities	₪ 10,985	\$2,815
Liabilities held for sale	₪ 1,675	\$429



Total liabilities	₪ 191,626	\$49,110
Equity capital attributed to the Bank's shareholders	₪ 13,288	\$3,405
Non-controlling rights	₪ 346	\$89
Total equity	₪ 13,634	\$3,494
<b>Total Liabilities and Equity</b>	₪ <b>205,260</b>	\$52,604

## **B. Capital Information for IDBNY**

IDBNY is “well capitalized” and, as of December 31, 2015, had a tier one leverage ratio of 9.06%, tier one risk based capital ratio of 12.65%, and a total risk-based capital ratio of 13.71%.

## **C. Funding Sources**

IDB Ltd. does not have a presence in the United States other than through its U.S. subsidiaries. IDB Ltd. does not operate a branch in the United States. IDB Ltd. does not rely upon its U.S. subsidiaries to gather deposits and provide funding to its operations outside the United States.

Discount Bancorp has very limited funding requirements as it is not an operating entity.

IDBNY maintains diverse sources of wholesale and retail funding.

Wholesale. Wholesale funding sources include, but are not limited to: (i) brokered deposits; (ii) securities sold under repos; (iii) Federal Home Loan Bank advances; and (iv) Federal funds.

Retail. Deposits of individual, partnership, and corporate customers (“Retail Deposits”) are a significant source of funds for IDBNY. As of December 31, 2015, IDBNY maintained \$5.71 billion (unconsolidated) in Retail Deposits.

## **Derivative and Hedging Activities**

IDB Ltd. does not operate branch or agency offices in the United States, and does not maintain any material hedges with respect to its U.S. operations, which are organized as subsidiaries. The material risks and hedging strategies with respect to such subsidiaries are managed directly by such subsidiaries.

Discount Bancorp is not an operating company. Discount Bancorp does not engage in derivatives or hedging transactions.

## **V. Memberships in Material Payment, Clearing and Settlement Systems**

Discount Bancorp and IDBNY do not operate payment networks and have no operations engaged in clearing and settling of securities or derivative transactions.

Discount Bancorp is not an operating company and is not a member or a participant in any trading, payment or clearing system, nor does it conduct a material number or value or

amount of trades on any trading, payment or clearing system. IDB NY participates in the following material clearing and settlement systems: (i) FedWire Funds Service; (ii) FedWire Securities Service; (iii) the Clearing House Interbank Payments System (“CHIPS”) and (iv) The Society for Worldwide Interbank Financial Telecommunication (“SWIFT”).

- FedWire Funds Service. Fedwire Funds is a wire transfer service provider that is owned and operated by the Federal Reserve. Fedwire Funds is a real-time gross settlement system. Payments are continuously settled on an individual order-by-order basis without netting. Fedwire Funds processes the purchase and sale of federal funds; the purchase, sale and financing of securities transactions; the disbursement or repayment of loans; the settlement of cross-border U.S. dollar commercial transactions; the settlement of real estate transactions; and other high-value, time-critical payments.
- FedWire Securities Service. Fedwire Securities is a national securities book-entry system that is owned and operated by the Federal Reserve. Fedwire Securities conducts real-time transfers of securities and related funds, on an individual and gross basis. Fedwire Securities conducts issuance, transfer and settlement for all marketable Treasury securities, for many federal government agency and government-sponsored enterprise securities and for certain international organizations’ securities. It also offers a safekeeping function and a transfer settlement function.
- CHIPS. IDB NY is a member of CHIPS, which is the largest private-sector U.S.-dollar funds-transfer system in the world. CHIPS operates on a global business day and provides fast, final payments, while maximizing liquidity efficiency for participating banks. CHIPS is operated by The Clearing House.
- SWIFT. IDB NY participates in SWIFT, which provides a network that enables financial institutions worldwide to send and receive information about financial transactions in a secure, standardized and reliable environment.

## **VI. Foreign Operations**

IDB Ltd.’s international operations are focused on business activities and on private banking, and are carried out mainly through its subsidiary Discount Bancorp in New York, and IDB Swiss Bank in Switzerland, which is in the process of closing its operations. IDB Ltd’s representative office in Chile is formally closed since 2015.

Discount Bancorp does not own significant subsidiaries, or conduct significant operations, other than through IDB NY which, as previously noted, is a New York State-chartered bank doing business in the United States. IDB NY only has several representative offices in Latin America and in Israel that perform marketing functions.

## **VII. Material Supervisory Authorities**

### **A. U.S. Supervisory Authorities**

Discount Bancorp is subject to the extensive U.S. legal and regulatory framework applicable to BHCs and banks. Discount Bancorp is a BHC and is regulated by the Federal Reserve, which exercises authority over Discount Bancorp's U.S. activities. IDB NY is regulated federally by the FDIC and at the state-level by the New York Department of Financial Services. Both regulators impose strict safety and soundness requirements on IDB NY's operations. These requirements place various restrictions on and requirements regarding their operations and administration, including the establishment and maintenance of branch offices, capital and reserve requirements, deposits and borrowings, investment and lending activities, compliance activities, payment of dividends and numerous other matters.

### **B. Foreign Supervisory Authorities**

IDB Ltd. is a licensed Israeli bank subject to Israel's Banking Ordinance, 1941, supervised by the Bank of Israel. Discount Bancorp's operations, the essential entirety of which is IDB NY, are primarily based in the U.S. and regulated by U.S. authorities. IDB NY's very limited foreign activities are subject to a significant body of laws and regulations that are a condition for authorization to conduct banking and financial services business in each foreign country of operation. At a minimum, IDB NY's representative offices in Chile, Israel, Peru and Uruguay are subject to the supervisory authority of the in-country regulators.

## **VIII. Principal Officers**

Discount Bancorp does not maintain a Management Committee because it is not an operating company. As of December 31, 2015, Discount Bancorp's Board of Directors was comprised of the following individuals:

- Jacob Berman, Chairman of the Board of Directors, Business & Wealth Management Advisor
- Ehud Arnon, President and CEO, IDB NY
- Lilach Asher-Topilsky, Banker
- Orit Alster, Banker
- Theresa A. Bischoff, Partner, RC Consulting, LLC
- Trevor S. Harris, Professor, Columbia Graduate School of Business
- Maurice H. Hartigan II, Former Banker and Consultant
- Samuel Gortler, Investment Banker
- Eugene Zuriff, Former Banker and Consultant

## **IX. Resolution Planning Corporate Governance Structure and Processes Related to Resolution Planning**

### **A. Resolution Planning Oversight**

IDB Ltd.'s board of directors delegated to IDB Ltd.'s Senior Management the authority to approve this Resolution Plan, so long as the plan does not deviate materially from the most recently filed plan. IDB Ltd.'s Senior Management is also responsible for ongoing compliance with and implementation of IDB Ltd.'s resolution plans already submitted to the Agencies. IDB Ltd.'s board of directors is the organ responsible for approval of any significant changes to the Resolution Plan that may be required during the year.

### **B. U.S. Resolution Planning Governance and Organization**

The Chief Executive Officer of IDB Ltd. is responsible for resolution plan development, maintenance, filing and ongoing plan compliance. The CEO is therefore also responsible for determining whether there have been material developments requiring a notice to the Agencies in the interim period between filings of resolution plans on an annual basis. The Chief Executive Officer of IDB Ltd. delegated these responsibilities to IDB Ltd.'s Head of Subsidiaries Division.

Because IDB Ltd.'s United States operations are centralized through IDB NY, IDB NY's personnel is best positioned to address changes in the structure of IDB Ltd.'s U.S. operations that could impact the maintenance and ongoing compliance with U.S. resolution planning requirements. Hence, personnel of IDB Ltd. and IDB NY routinely collaborate to assist the Chief Executive Officer of IDB Ltd. and the Head of Subsidiaries Division with maintenance and ongoing compliance with U.S. resolution planning requirements.

### **C. Approval of the U.S. Resolution Plan**

This Resolution Plan was approved by IDB Ltd.'s Senior Management at a meeting held on November 28, 2016.

## **X. Management Information Systems**

Because IDB Ltd.'s U.S. operations are centralized through IDB NY, IDB NY is responsible for all management information systems that would be relevant to the resolution process applicable to IDB NY. Significantly, IDB NY manages its own management information systems and is not reliant upon IDB Ltd. or any of its affiliates for the provision of management information systems or licenses to use management information systems used by IDB NY or its subsidiaries. Correspondingly, IDB NY does not rely upon IDB Ltd. or affiliates for the provision of Information Technology ("IT") support functions. Discount Bancorp is not an operating entity and is wholly dependent upon IDB NY for IT services.

IDB NY's IT Department builds, manages and runs the information technology infrastructure, voice and data networks governing IDB NY's operations.

## **XI. Resolution Strategy Summary**

### **A. Sale of Discount Bancorp**

If possible, Discount Bancorp as a whole or IDBNY alone would be sold as a going concern before IDBNY is placed into receivership pursuant to the Federal Deposit Insurance Act (the “FDIA”). This would occur either before or shortly after IDB Ltd. and/or Discount Bancorp entered into insolvency proceedings. This strategy is preferred because it would not be disruptive to U.S. financial stability and is likely to be cost-effective and be the most likely to lead to a rapid and orderly resolution. A sale of IDBNY as a whole is the most likely to maximize the value of the entities involved, limit risks to the Deposit Insurance Fund (the “DIF”) and minimize risks to the U.S. financial system. Thus, this resolution strategy will remain IDB Ltd.’s preferred resolution strategy upon its material financial distress or failure, notwithstanding the prevailing economic conditions, including in the event of adverse economic conditions.

A prospective purchaser may prefer a chapter 11 filing of Discount Bancorp in order to obtain the comfort of approval of the sale of IDBNY through section 363 of the Bankruptcy Code. Such approval could provide the purchaser additional protection pursuant to section 363(f) of the Bankruptcy Code, authorizing a sale “free and clear” of any liens and encumbrances, thereby limiting risks to the purchaser. These benefits to the purchaser may enable a faster sale by reducing required diligence by the purchaser, and permit a higher purchase price and better recovery to Discount Bancorp’s and IDB Ltd.’s economic stakeholders. The Resolution Plan is required, however, to assume that all material entities in the United States fail at the same time as IDB Ltd. Accordingly, it is probable that the FDIC would be appointed receiver of IDBNY within a few days of IDB Ltd. entering into Israeli insolvency proceedings and Discount Bancorp commencing chapter 11 proceedings. If so, a sale of IDBNY would be by the FDIC, leaving only the proceeds to equity, if any, and the relatively minor nonbank assets and liabilities of Discount Bancorp to be resolved in its own chapter 11 proceeding.

Under this scenario, the FDIC as receiver would endeavor to: enable depositors to have access to their FDIC-insured deposits within one business day unless they are appointed on a business day other than a Friday (and two days otherwise); resolve the entity in the manner that is the least costly to the Deposit Insurance Fund; and maximizes the value to creditors. The FDIC will likely endeavor to affect a sale of IDBNY over a weekend.

If the FDIC requires additional time to effect a sale, the FDIC could establish a bridge bank and then sell the bridge entity as a whole or sell its constituent parts in separate transactions. The establishment of a bridge bank would likely increase the costs of resolving IDBNY. Under the scenarios in which IDBNY is subject to receivership, the bankruptcy court with jurisdiction over the chapter 11 proceedings would be responsible for administering the bankruptcy estate and for allocating any proceeds to the estate of Discount Bancorp derived from the sale of IDBNY and its subsidiaries, or the assets thereof, and addressing the claims of creditors. The principal impediment to a rapid and orderly resolution of Discount Bancorp is the fact that it is reliant upon IDBNY for its operations and infrastructure, including staff.

## **B. Wind-down and Liquidation of IDBNY**

If it is not possible to sell Discount Bancorp or its subsidiaries to one or more purchasers, a substantially less preferable option would be for the FDIC, acting as a receiver of IDBNY to wind down and liquidate IDBNY and those subsidiaries that can be liquidated and are not subject to their own receivership process. Given its strong capital position and the highly liquid nature of its balance sheet, IDBNY itself could be wound down over a short time frame at little cost to the DIF. The costs and complexity of winding down IDBNY would be increased by the need to liquidate or sell IDBNY's subsidiaries. While IDBNY only operates a few subsidiaries and most are small or inactive, one subsidiary, IDB Capital, a registered broker-dealer could be subject to receiverships outside the chapter 11 process.

Although liquidation of IDBNY is a resolution alternative that might not entail significant costs to the DIF, the cost of such a strategy to IDB Ltd. and its economic stakeholders is uncertain. In addition, this option would come at the expense of one of the goals of the resolution process, which is to maximize the value of IDBNY and its related businesses. This final option is considered a last resort and substantially less preferable. As is the case for each resolution strategy, the principal impediment to this strategy would be coordinating separate insolvency proceedings and regulatory approvals among parties with jurisdiction over material and non-material legal entities affiliated with IDBNY.