

Fund Finance Friday



New Cadwalader Memorandum on SRTs in the Resolution of Failed Banks

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Christopher B. Horn, Jed Miller, Daniel Meade, Ivan Loncar, Kathryn Borgeson, Chris van Heerden, and **Christina Mille** have authored a new Cadwalader memorandum examining the treatment of significant risk transfers (SRTs) in the resolution of failed banks.

The piece analyzes how SRTs are treated under the Federal Deposit Insurance Act when an insured depository institution enters FDIC receivership. The memorandum highlights an often underappreciated feature of SRTs: the resolution-stage optionality they create for the FDIC. By virtue of its statutory powers to enforce, repudiate or transfer contracts, the FDIC effectively holds a financial option that allows it to preserve economically valuable credit protection while limiting exposure to unfavorable arrangements. The authors explain how this optionality can preserve third-party loss-absorbing capacity outside the receivership estate, improve recoveries and facilitate the orderly resolution of failed banks.

Read the full memorandum [here](#).