

Comparison of Debt Financing Alternatives

Oftentimes, a domestic (U.S.) or foreign (non-U.S.-domiciled) entity, including a bank or bank holding company, may consider funding alternatives, including the issuance of debt securities to U.S. investors. In the below chart we summarize some of the principal features and considerations to be taken into account when choosing among issuing debt securities pursuant to a registration statement, in reliance on the Section 3(a)(2) exemption for bank-issued securities, and in reliance on Rule 144A in a traditional Rule 144A offering involving an initial purchaser.

	SEC REGISTERED	SECTION 3(a)(2)	RULE 144A
REQUIRED ISSUER:	No specific issuer or guarantor is required.	Need a U.S. state or federal licensed bank as issuer or as guarantor.	No specific issuer or guarantor is required.
EXEMPTION FROM THE SECURITIES ACT:	No. Bonds are publicly offered and registered with the SEC.	Section 3(a)(2) exemption.	Section 4(a)(2) / Rule 144A.
FINRA FILING REQUIREMENT:	Filing requirement and payment of filing fee.	Filing requirement and payment of filing fee.	Not subject to FINRA filing.
BLUE SKY:	Generally exempt from blue sky regulation.	Generally exempt from blue sky regulation.	Generally exempt from blue sky regulation.
LISTING ON AN EXCHANGE:	May be listed if desired.	May be listed if issued in compliance with Part 16.6.	Not in the United States, but may be listed on UKLA or other European exchange.
“RESTRICTED SECURITY”:	No.	No.	Yes.
REQUIRED GOVERNMENTAL APPROVALS:	SEC filing and registration fee.	Banks licensed by the OCC are subject to the Part 16.6 limitations, unless another exemption is available.	Generally none.
PERMITTED OFFEREEES:	All investors.	All investors. However, banks licensed by the OCC are subject to the Part 16.6 limitations, unless an exemption is available. Generally, sales are limited to “accredited investors.”	Only to QIBs. No retail.
RESALE RESTRICTIONS:	None.	None.	Only to QIBs. No retail.
INVESTMENT RESTRICTIONS:	None.	Generally none.	Restricted securities; some investors are subject to limitations on amounts invested in restricted securities.
MINIMUM DENOMINATIONS:	All denominations.	All denominations. However, banks licensed by the OCC are subject to a minimum denomination requirement.	Typically \$100,000 or more.
ROLE OF MANAGER/ UNDERWRITER:	Either agented or principal basis.	Either agented or principal basis.	Must purchase as principal.
SETTLEMENT:	Through DTC, Euroclear/Clearstream.	Through DTC, Euroclear/Clearstream.	Through DTC, Euroclear/Clearstream.
REPATRIATION OF PROCEEDS:	No restrictions.	May be restrictions.	No restrictions.
ELIGIBLE FOR INCLUSION IN BOND INDEX:	Yes.	Yes.	No.
ORPHAN BONDS:	No.	Not fungible with 144A bonds or SEC-registered bonds.	Not fungible with 3(a)(2) bonds or SEC-registered bonds.
PROSPECTUS COMPATIBILITY:	May be different from UKLA prospectus.	Similar to UKLA prospectus, but with a wrapper for branch/ agency guarantee.	Similar to UKLA prospectus, but with tax and offering and transfer restriction disclosure.