



## Ranking of the 82 Borrowers under the Federal Reserve's Commercial Paper Funding Facility (Updated August 30, 2011)

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On August 25, we examined the Federal Reserve's extensions of credit under the Commercial Paper Funding Facility ("CPFF"). We reached an astonishing conclusion: on average, 57% of the extensions of credit under the CPFF, which peaked at \$348.5 billion of funds from Joe and Mary Six Pack, went to European firms. In this blog, we rank the borrowings under the CPFF for all 82 parent/sponsors of the legal entities whose commercial paper was funded under the program. We wish to thank Brendan Cavanaugh for very helpful comments that have resulted in the revision of the number of days on which borrowing occurred for 22 of the 82 firms.

The Commercial Paper Funding Policy data analyzed in this blog was provided by the Federal Reserve on its web site. For background and access to the raw data, see this link:

<http://www.federalreserve.gov/monetarypolicy/cpff.htm>

We classified the beneficiaries of the CPCC in these twelve categories:

1. European Banks
2. European Corporations
3. European Private Firms
4. AIG
5. Too Big to Fail Firms
6. USA Corporations
7. USA Financial Institutions
8. USA Private Firms
9. Asian Banks
10. Asian Corporations
11. Foreign Governments
12. Other Foreign Banks

We categorize the 82 parent/sponsors whose affiliates borrowed under the CPFF here. The fact that two governments, the Republic of Korea and the Free State of Bavaria, are included will surprise many who are seeing the list of borrowers for the first time:

AIG

- 1 American International Group

#### Asian Banks

- 1 KB Financial Group Inc.
- 2 Mitsubishi UFJ Financial Group
- 3 Mizuho Corporate Bank, Ltd.
- 4 Shinhan Financial Group Co Ltd
- 5 Sumitomo Mitsui Banking Corporation

#### Asian Corporations

- 1 COFCO Ltd
- 2 Mitsubishi Corp
- 3 Mitsui & Co Ltd
- 4 Sumitomo Corp
- 5 Toyota Motor Corp

#### European Banks

- 1 Aegon NV
- 2 Allied Irish Bank
- 3 Banco Espirito Santo SA
- 4 Barclays PLC
- 5 BNP Paribas
- 6 Caixa Geral de Depósitos
- 7 Commerzbank AG
- 8 Danske Bank A/S
- 9 Dexia SA
- 10 Dresdner Bank
- 11 DZ Bank AG
- 12 Erste Group Bank AG
- 13 Fortis Bank SA/NV
- 14 Handelsbanken
- 15 HSBC Holdings PLC
- 16 HSH Nordbank AG
- 17 ING Groep NV
- 18 KBC
- 19 KBC BANK NV
- 20 Natixis
- 21 NordLB
- 22 Rabobank
- 23 Royal Bank of Scotland Group
- 24 UBS
- 25 Unicredit
- 26 WestLB

#### European Corporations

- 1 Bayerische Motoren Werke AG
- 2 Deutsche Post AG
- 3 Syngenta AG

#### European Private Firms

- 1 BSN Holdings

2 Northcross

#### Foreign Governments

1 Free State of Bavaria

2 Republic of Korea

#### Other Foreign Banks

1 Bank of Montreal

2 Bank of Nova Scotia

3 Royal Bank of Canada

#### Too Big to Fail Firms

1 Bank of America

2 Citigroup

3 Goldman Sachs

4 Merrill Lynch & Co

5 Morgan Stanley

6 State Street Bank & Trust

#### USA Corporations

1 Baxter International Inc.

2 Caterpillar Financial Services

3 Chrysler Financial Services

4 Ford Credit

5 General Electric Co

6 Georgia Transmission Corp

7 GMAC LLC

8 Harley-Davidson Inc.

9 McDonalds Corporation

10 PACCAR Inc.

11 Verizon

#### USA Financial Institutions

1 American Express Co

2 Fifth Third Bank

3 Genworth

4 Hartford Financial Services Group

5 Lincoln National Corp

6 Members United Corporate Credit Union

7 Metlife

8 National Rural Utilities Cooperative

9 Old Republic Capital Corp

10 PNC Bank

11 Principal Financial Group Inc.

12 Prudential Financial Inc.

13 Torchmark Corp

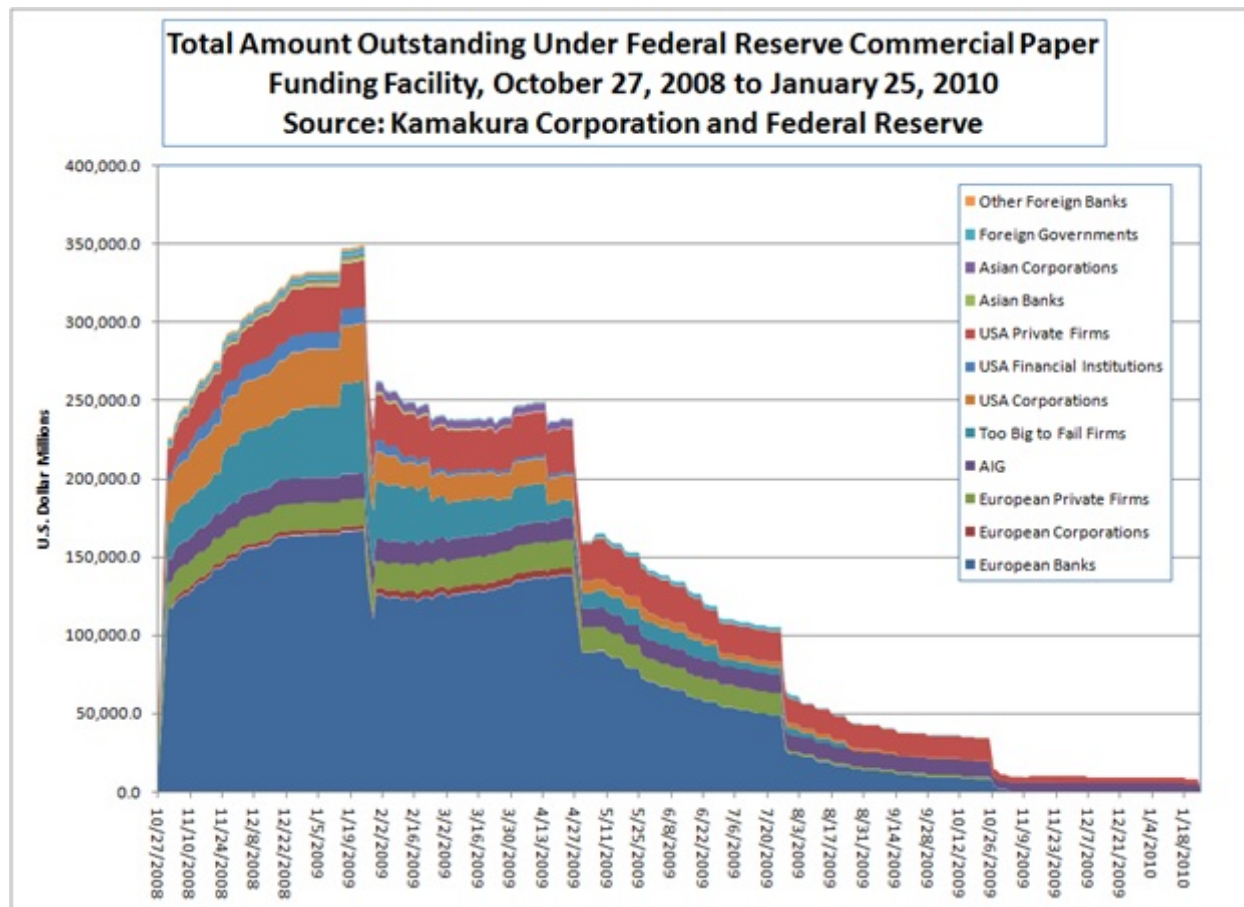
14 Wisconsin Corporate Credit Union

15 Zions First National Bank

USA Private Firms

- 1 Chartwell Investment Partners, LP
- 2 Hudson Castle
- 3 The Liberty Hampshire Company

The Federal Reserve reported 1,157 transactions under the CPFF between its first day of operation on October 27, 2008 and the close of the program on February 1, 2010. We note that all borrowers began October 27, 2008 with zero borrowings from the CPFF. On that day and all subsequent days, we calculate the daily ending balance outstanding as the sum of the beginning balance plus the amount of any new borrowings less any borrowings maturing that day. We do this daily for all borrowers through the date of the last borrowing reported by the Fed, January 25, 2010. Total borrowings under the program by category are shown in this graph:



The maximum outstanding under the CPFF was \$348.5 billion on December 31, 2008, with borrowings dominated by the “European banks” category. Jointly, European borrowers under the CPFF had maximum borrowings that were 54.39% of the maximum outstanding for the CPFF. On an average basis, the European banks had borrowings of \$71.6 billion from October 27, 2008 to January 25, 2010. This was 49.23% of the CPFF average outstanding of \$145.5 billion. Average borrowings of all European sponsors were 57.28% of the average outstandings under the CPFF.

We now turn to the borrowings by individual parent/sponsors. Our first chart lists the top 40 parent sponsors by their maximum daily outstanding borrowing during the October 27, 2008 to January 25, 2010 period. Consistent with our findings above, UBS led the list and four of the top 5 borrowers by this ranking were European banks:

**Kamakura Corporation**  
**Maximum of Daily Outstandings Under Commercial Paper Funding Facility**  
**October 27, 2008 to January 25, 2010, U.S. Dollar Millions**  
**Source: Kamakura Corporation and Federal Reserve**

Rank	Parent/Sponsor	Maximum Borrowing	Average Borrowing	Number of Days
1	UBS	37,290.8	14,721.0	184
2	Citigroup	25,126.8	6,495.7	294
3	Dexia SA	21,457.3	10,570.1	371
4	Royal Bank of Scotland Group	20,460.5	7,623.0	357
5	Fortis Bank SA/NV	18,176.2	7,616.1	287
6	The Liberty Hampshire Company	16,358.1	8,159.1	456
7	Hudson Castle	16,217.4	10,438.9	456
8	American International Group	16,195.7	11,490.7	454
9	General Electric Co	16,137.7	3,196.6	115
10	Bank of America	14,931.0	2,946.9	90
11	BSN Holdings	14,823.2	8,512.9	455
12	Natixis	13,724.0	5,324.5	274
13	Barclays PLC	12,928.5	7,644.2	361
14	ING Groep NV	8,647.4	2,152.3	322
15	State Street Bank & Trust	8,480.5	2,794.5	189
16	Dresdner Bank	8,161.1	1,973.7	230
17	Merrill Lynch & Co	7,962.0	1,588.9	91
18	GMAC LLC	7,909.8	2,684.5	184
19	Ford Credit	6,943.9	3,127.0	323
20	Handelsbanken	5,663.1	1,179.2	213
21	Danske Bank A/S	5,461.0	1,075.7	94
22	Allied Irish Bank	5,111.3	1,305.4	217
23	Erste Group Bank AG	4,966.1	986.7	120
24	Toyota Motor Corp	4,626.2	913.1	148
25	American Express Co	4,470.4	882.3	106
26	Morgan Stanley	4,328.6	857.0	128
27	Commerzbank AG	4,290.1	971.2	219
28	Bayerische Motoren Werke AG	3,894.3	1,223.2	240
29	KBC BANK NV	3,671.9	1,449.2	322
30	BNP Paribas	3,357.9	662.7	104
31	Northcross	3,085.2	1,697.5	274
32	WestLB	2,985.3	1,630.1	371
33	Unicredit	2,533.3	504.4	141
34	HSBC Holdings PLC	2,486.1	494.6	182
35	KBC	2,466.8	783.3	187
36	Free State of Bavaria	2,426.0	862.2	183
37	Prudential Financial Inc.	2,357.5	486.4	184
38	Rabobank	2,149.7	425.3	127
39	NordLB	1,909.5	972.7	373
40	Sumitomo Mitsui Banking Corporation	1,684.3	402.8	204

The next chart continues the ranking by maximum outstanding for the remaining 42 borrowers under the CPFF program. Note that the much-criticized Goldman Sachs is only 81st on this ranking, well below its Too Big to Fail peers like Citigroup, AIG and Bank of America:

**Maximum of Daily Outstandings Under Commercial Paper Funding Facility**

October 27, 2008 to January 25, 2010, U.S. Dollar Millions

Source: Kamakura Corporation and Federal Reserve

Rank	Parent/Sponsor	Maximum Borrowing	Average Borrowing	Number of Days
41	Chrysler Financial Services	1,651.4	955.5	406
42	Metlife	1,639.2	324.3	133
43	Verizon	1,479.2	293.7	91
44	DZ Bank AG	1,474.9	454.2	190
45	Harley-Davidson Inc	1,341.4	458.8	197
46	HSH Nordbank AG	1,193.3	664.8	274
47	National Rural Utilities Cooperative	1,106.7	219.2	120
48	Bank of Nova Scotia	993.5	196.1	90
49	Republic of Korea	753.0	449.9	365
50	PACCAR Inc	729.9	144.5	107
51	Mizuho Corporate Bank, Ltd.	708.2	140.4	101
52	Syngenta AG	696.1	137.4	90
53	Mitsui & Co Ltd	665.9	131.9	114
54	Deutsche Post AG	627.7	144.2	182
55	Banco Espirito Santo SA	507.1	302.1	275
56	Bank of Montreal	497.1	99.1	91
57	Lincoln National Corp	472.1	93.3	153
58	Caixa Geral de Depósitos	446.9	88.7	94
59	PNC Bank	440.7	87.0	91
60	Mitsubishi UFJ Financial Group	413.3	81.8	91
61	Hartford Financial Services Group	373.0	143.8	185
62	Caterpillar Financial Services	316.3	145.4	303
63	Torchmark Corp	303.2	113.8	244
64	Mitsubishi Corp	298.1	58.8	139
65	Fifth Third Bank	297.1	88.3	181
66	Members United Corporate Credit Union	268.0	53.5	91
67	Aegon NV	248.6	50.3	182
68	Principal Financial Group Inc	231.7	91.5	199
69	Genworth	202.4	40.3	100
70	Sumitomo Corp	198.8	39.3	111
71	Baxter International Inc	148.9	29.4	97
72	COFCO Ltd	148.5	78.7	272
73	Old Republic Capital Corp	129.3	51.1	199
74	McDonalds Corporation	109.4	40.2	223
75	Georgia Transmission Corp	109.3	21.7	133
76	Royal Bank of Canada	100.0	39.5	181
77	Wisconsin Corporate Credit Union	98.3	19.4	90
78	Shinhan Financial Group Co Ltd	79.6	61.0	361
79	Zions First National Bank	79.3	15.7	90
80	KB Financial Group Inc	29.8	5.9	140
81	Goldman Sachs	10.0	2.0	90
82	Chartwell Investment Partners, LP	9.9	9.8	452

We now rank the firms by average borrowings during the October 27, 2008 to January 25, 2010 period. Five of the top 10 borrowers were European banks, joined by Too Big to Fail Citigroup and AIG. The biggest surprise on this chart, however, is the presence of three privately held fund managers in the top ten. Thanks to the largess of the Federal Reserve, these firms were able to take funding that, directly or indirectly, came from Joe and Mary Six Pack in the United States, allowing these funds managers to benefit from subsidized funding during a period of extreme market turbulence.

**Kamakura Corporation**  
**Average of Daily Outstandings Under Commercial Paper Funding Facility**  
**October 27, 2008 to January 25, 2010, U.S. Dollar Millions**  
**Source: Kamakura Corporation and Federal Reserve**

<b>Rank</b>	<b>Parent/Sponsor</b>	<b>Maximum Borrowing</b>	<b>Average Borrowing</b>	<b>Number of Days</b>
1	UBS	37,290.8	14,721.0	184
2	American International Group	16,195.7	11,490.7	454
3	Dexia SA	21,457.3	10,570.1	371
4	Hudson Castle	16,217.4	10,438.9	456
5	BSN Holdings	14,823.2	8,512.9	455
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7	Barclays PLC	12,928.5	7,644.2	361
8	Royal Bank of Scotland Group	20,460.5	7,623.0	357
9	Fortis Bank SA/NV	18,176.2	7,616.1	287
10	Citigroup	25,126.8	6,495.7	294
11	Natixis	13,724.0	5,324.5	274
12	General Electric Co	16,137.7	3,196.6	115
13	Ford Credit	6,943.9	3,127.0	323
14	Bank of America	14,931.0	2,946.9	90
15	State Street Bank & Trust	8,480.5	2,794.5	189
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29	Commerzbank AG	4,290.1	971.2	219
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32	American Express Co	4,470.4	882.3	106
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34	Morgan Stanley	4,328.6	857.0	128
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36	HSH Nordbank AG	1,193.3	664.8	274
37	BNP Paribas	3,357.9	662.7	104
38	Unicredit	2,533.3	504.4	141
39	HSBC Holdings PLC	2,486.1	494.6	182
40	Prudential Financial Inc.	2,357.5	486.4	184

The firms which ranked 41st to 82nd by average outstanding during the period October 27, 2008 to January 25, 2010 are shown here. Note that Goldman Sachs ranks last on this list with an average borrowing over this period of only \$2 million per day. UBS, by contrast, earned first place on this list with an average borrowing more than 7,000 times that of Goldman Sachs.

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45	Sumitomo Mitsui Banking Corporation	1,684.3	402.8	204
46	Metlife	1,639.2	324.3	133
47	Banco Espirito Santo SA	507.1	302.1	275
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55	Mizuho Corporate Bank, Ltd.	708.2	140.4	101
56	Syngenta AG	696.1	137.4	90
57	Mitsui & Co Ltd	665.9	131.9	114
58	Torchmark Corp	303.2	113.8	244
59	Bank of Montreal	497.1	99.1	91
60	Lincoln National Corp	472.1	93.3	153
61	Principal Financial Group Inc	231.7	91.5	199
62	Caixa Geral de Depósitos	446.9	88.7	94
63	Fifth Third Bank	297.1	88.3	181
64	PNC Bank	440.7	87.0	91
65	Mitsubishi UFJ Financial Group	413.3	81.8	91
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70	Old Republic Capital Corp	129.3	51.1	199
71	Aegon NV	248.6	50.3	182
72	Genworth	202.4	40.3	100
73	McDonalds Corporation	109.4	40.2	223
74	Royal Bank of Canada	100.0	39.5	181
75	Sumitomo Corp	198.8	39.3	111
76	Baxter International Inc	148.9	29.4	97
77	Georgia Transmission Corp	109.3	21.7	133
78	Wisconsin Corporate Credit Union	98.3	19.4	90
79	Zions First National Bank	79.3	15.7	90
80	Chartwell Investment Partners, LP	9.9	9.8	452
81	KB Financial Group Inc	29.8	5.9	140
82	Goldman Sachs	10.0	2.0	90

Another measure of the degree of distress of firms borrowing under the CPFF is simple: of the 456 days that we examine here, for how many days did these firms borrow? Two privately held fund managers borrowed for all 456 days under this program:



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**Number of Days with Outstandings Under Commercial Paper Funding Facility**  
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39	Hartford Financial Services Group	373.0	143.8	185
40	UBS	37,290.8	14,721.0	184

The remaining 42 firms, ranked by days of outstanding borrowings, are shown in the next chart. Goldman Sachs again ranks 82nd with a single borrowing for 3 months under the program:

**Kamakura Corporation****Number of Days with Outstandings Under Commercial Paper Funding Facility**

October 27, 2008 to January 25, 2010, U.S. Dollar Millions

Source: Kamakura Corporation and Federal Reserve

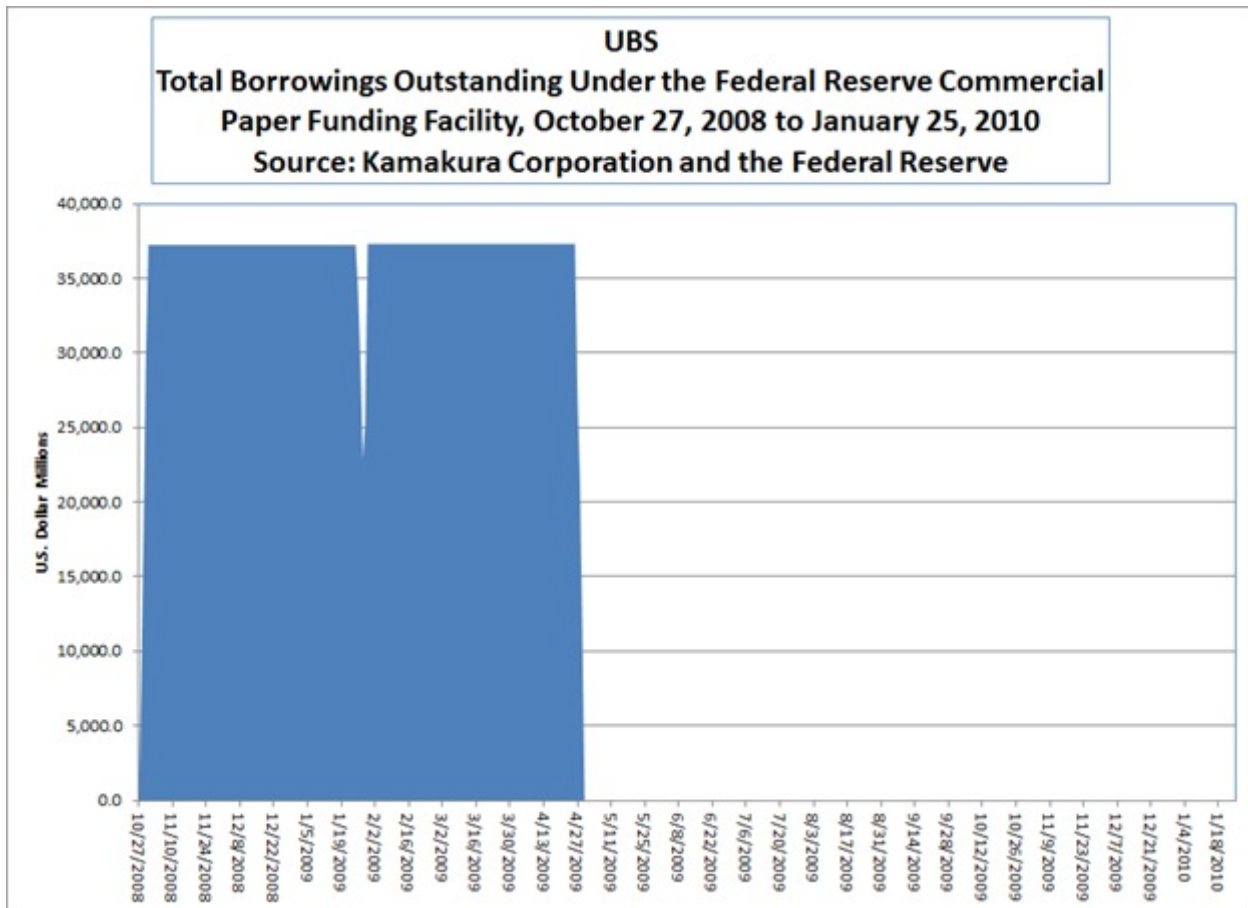
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44	HSBC Holdings PLC	2,486.1	494.6	182
45	Deutsche Post AG	627.7	144.2	182
46	Aegon NV	248.6	50.3	182
47	Fifth Third Bank	297.1	88.3	181
48	Royal Bank of Canada	100.0	39.5	181
49	Lincoln National Corp	472.1	93.3	153
50	Toyota Motor Corp	4,626.2	913.1	148
51	Unicredit	2,533.3	504.4	141
52	KB Financial Group Inc	29.8	5.9	140
53	Mitsubishi Corp	298.1	58.8	139
54	Metlife	1,639.2	324.3	133
55	Georgia Transmission Corp	109.3	21.7	133
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71	Merrill Lynch & Co	7,962.0	1,588.9	91
72	Verizon	1,479.2	293.7	91
73	Bank of Montreal	497.1	99.1	91
74	PNC Bank	440.7	87.0	91
75	Mitsubishi UFJ Financial Group	413.3	81.8	91
76	Members United Corporate Credit Union	268.0	53.5	91
77	Bank of America	14,931.0	2,946.9	90
78	Bank of Nova Scotia	993.5	196.1	90
79	Syngenta AG	696.1	137.4	90
80	Wisconsin Corporate Credit Union	98.3	19.4	90
81	Zions First National Bank	79.3	15.7	90
82	Goldman Sachs	10.0	2.0	90

We then employed another method of comparison, the ranking of firms by the average borrowing on the days in which a borrowing was outstanding. The top 15 firms, ranked by "average borrowing when drawn," are led by UBS, Bank of America, Dexia SA, General Electric, Fortis, and AIG:

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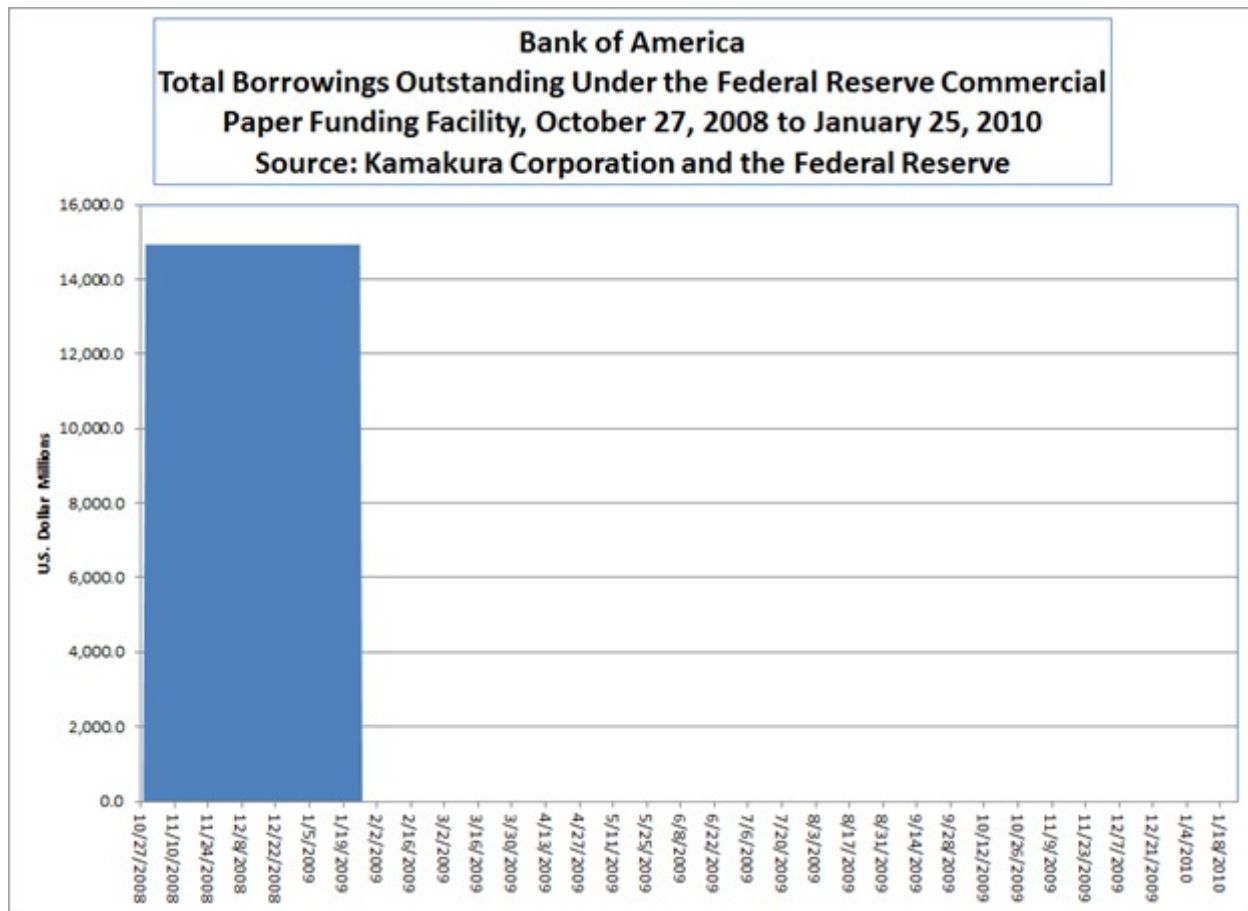
Rank	Parent/Sponsor	Maximum Borrowing	Average Borrowing, Full Period	Number of Days	Average Borrowing when Drawn
1	UBS	37,290.8	14,721.0	184	36,482.4
2	Bank of America	14,931.0	2,946.9	90	14,931.0
3	Dexia SA	21,457.3	10,570.1	371	12,991.8
4	General Electric Co	16,137.7	3,196.6	115	12,675.3
5	Fortis Bank SA/NV	18,176.2	7,616.1	287	12,100.8
6	American International Group	16,195.7	11,490.7	454	11,541.3
7	Hudson Castle	16,217.4	10,438.9	456	10,438.9
8	Citigroup	25,126.8	6,495.7	294	10,075.0
9	Royal Bank of Scotland Group	20,460.5	7,623.0	357	9,737.0
10	Barclays PLC	12,928.5	7,644.2	361	9,655.9
11	Natixis	13,724.0	5,324.5	274	8,861.3
12	BSN Holdings	14,823.2	8,512.9	455	8,531.6
13	The Liberty Hampshire Company	16,358.1	8,159.1	456	8,159.1
14	State Street Bank & Trust	8,480.5	2,794.5	189	6,742.4
15	Ford Credit	6,943.9	3,127.0	323	4,414.6

A graph of daily outstanding borrowings by UBS shows a pattern that indicates a few trades of very large size in commercial paper issued under the CPFF:

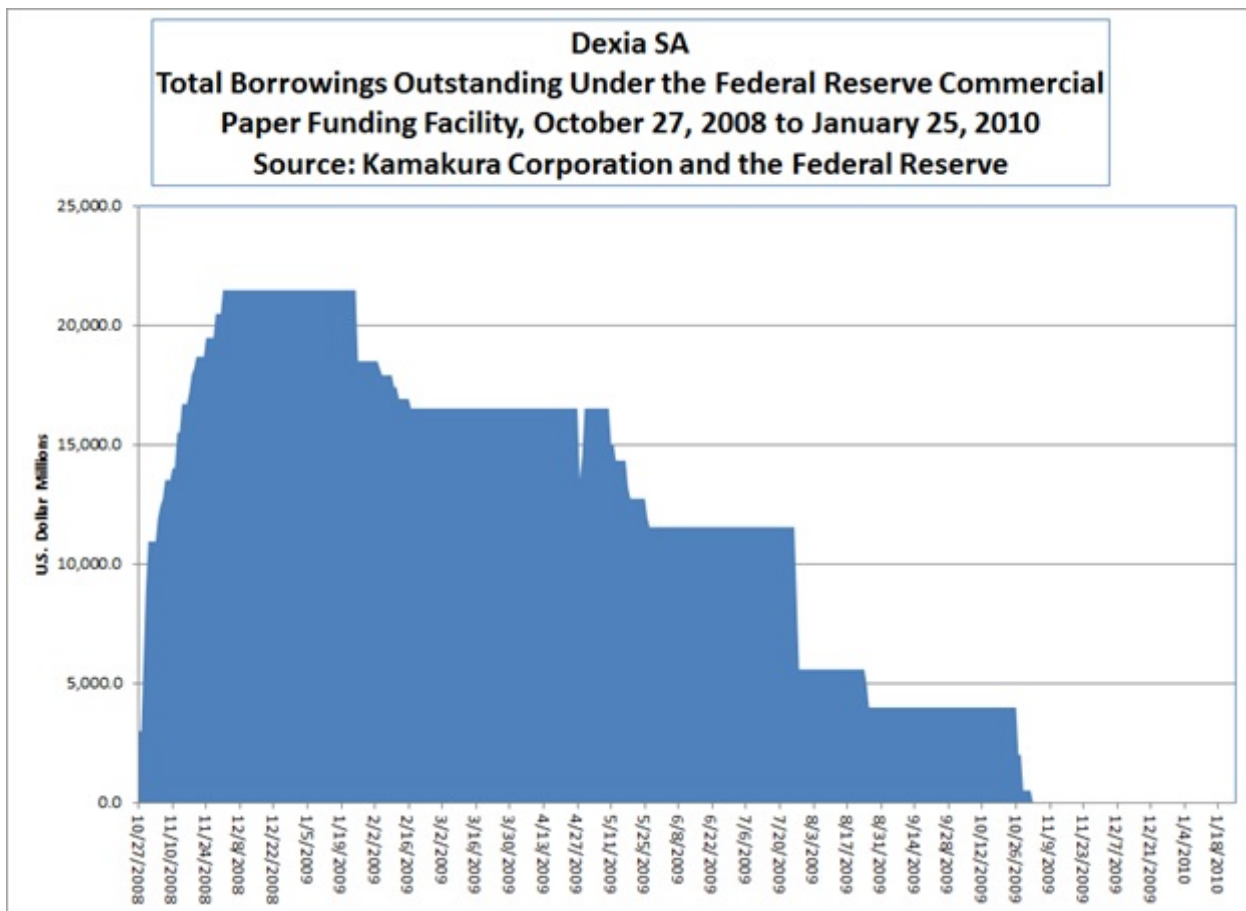


The pattern of outstandings for Bank of America under the CPFF shows a pattern much like UBS, one big block of

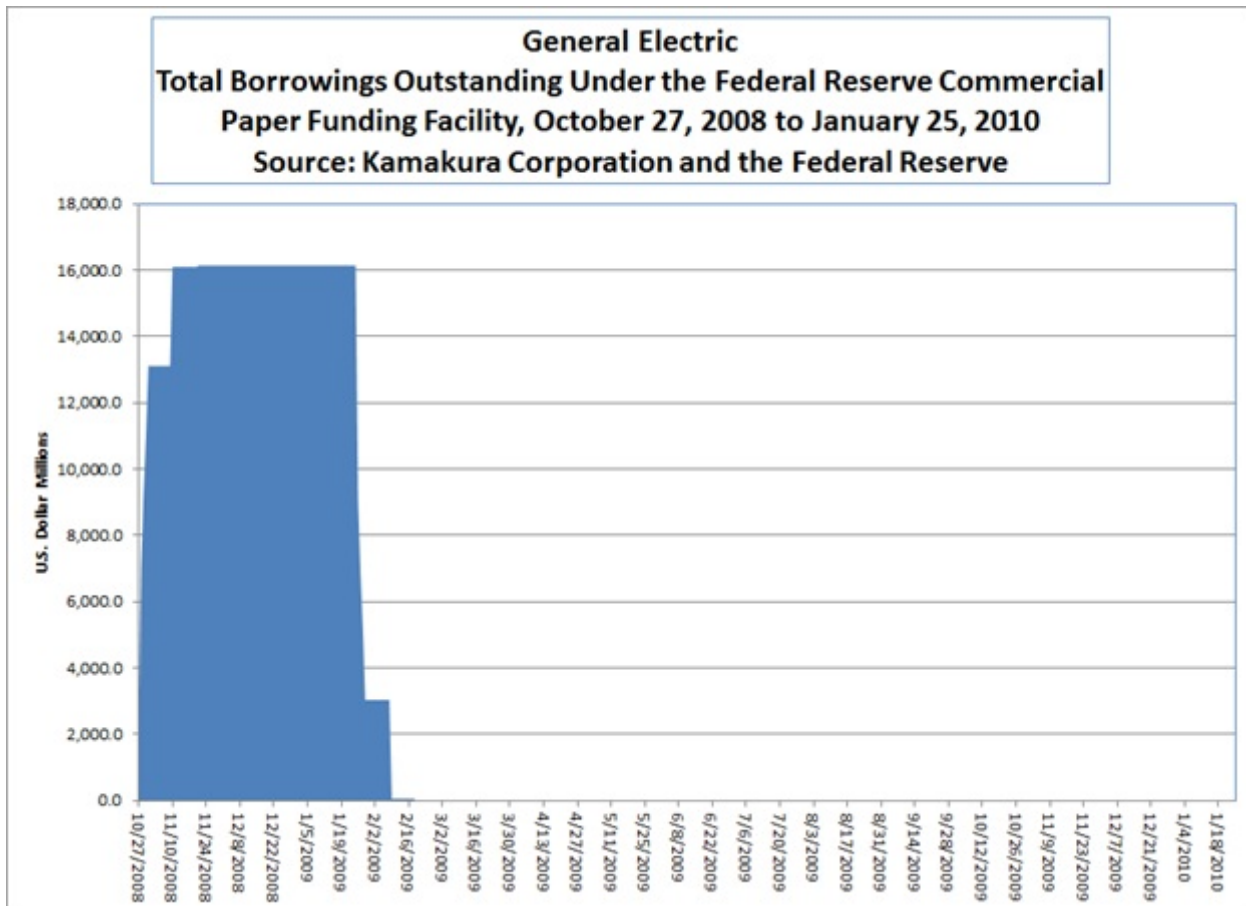
commercial paper:



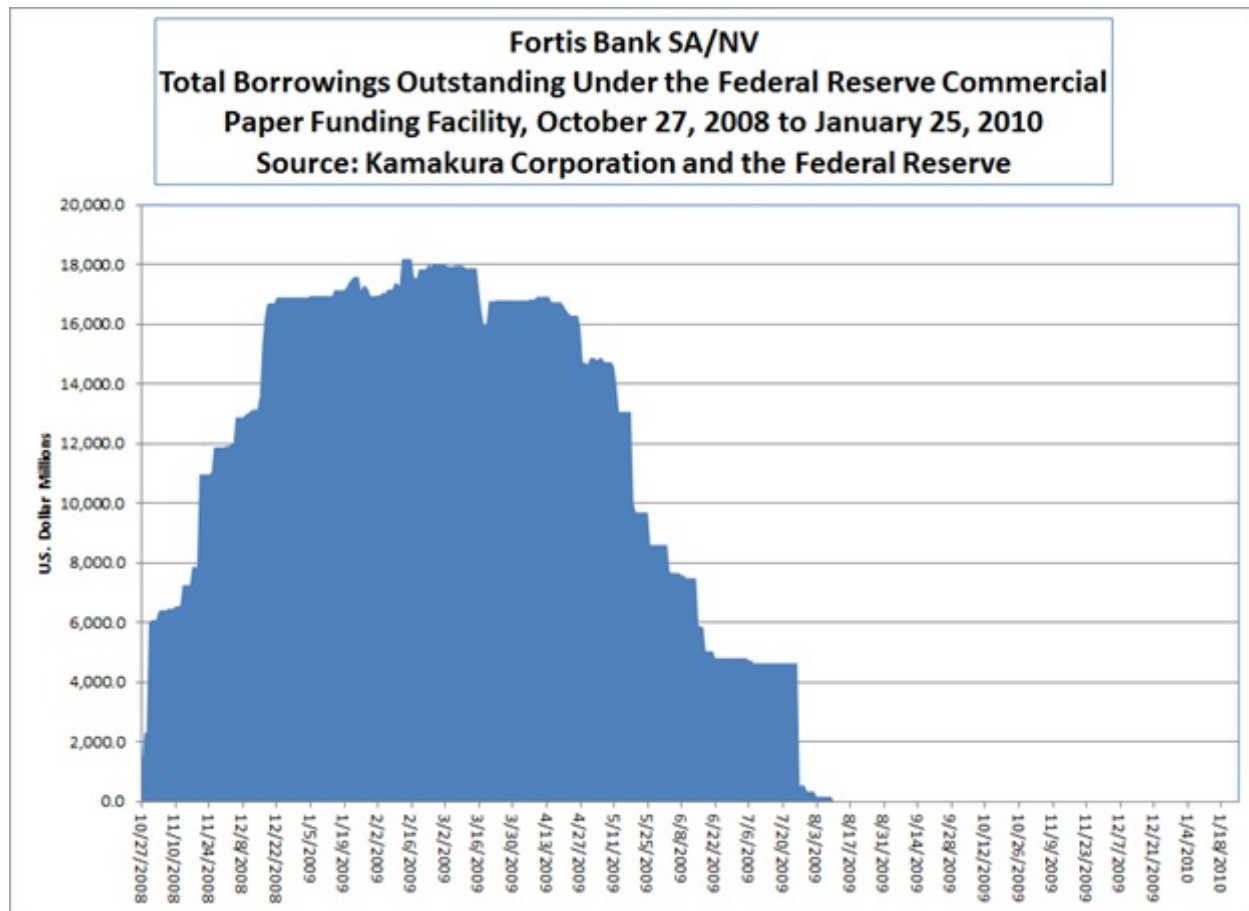
The graph of daily outstandings for Dexia SA shows many more transactions in various sizes were needed to accommodate the funding needs of legal entities for which Dexia SA was the parent/sponsor.



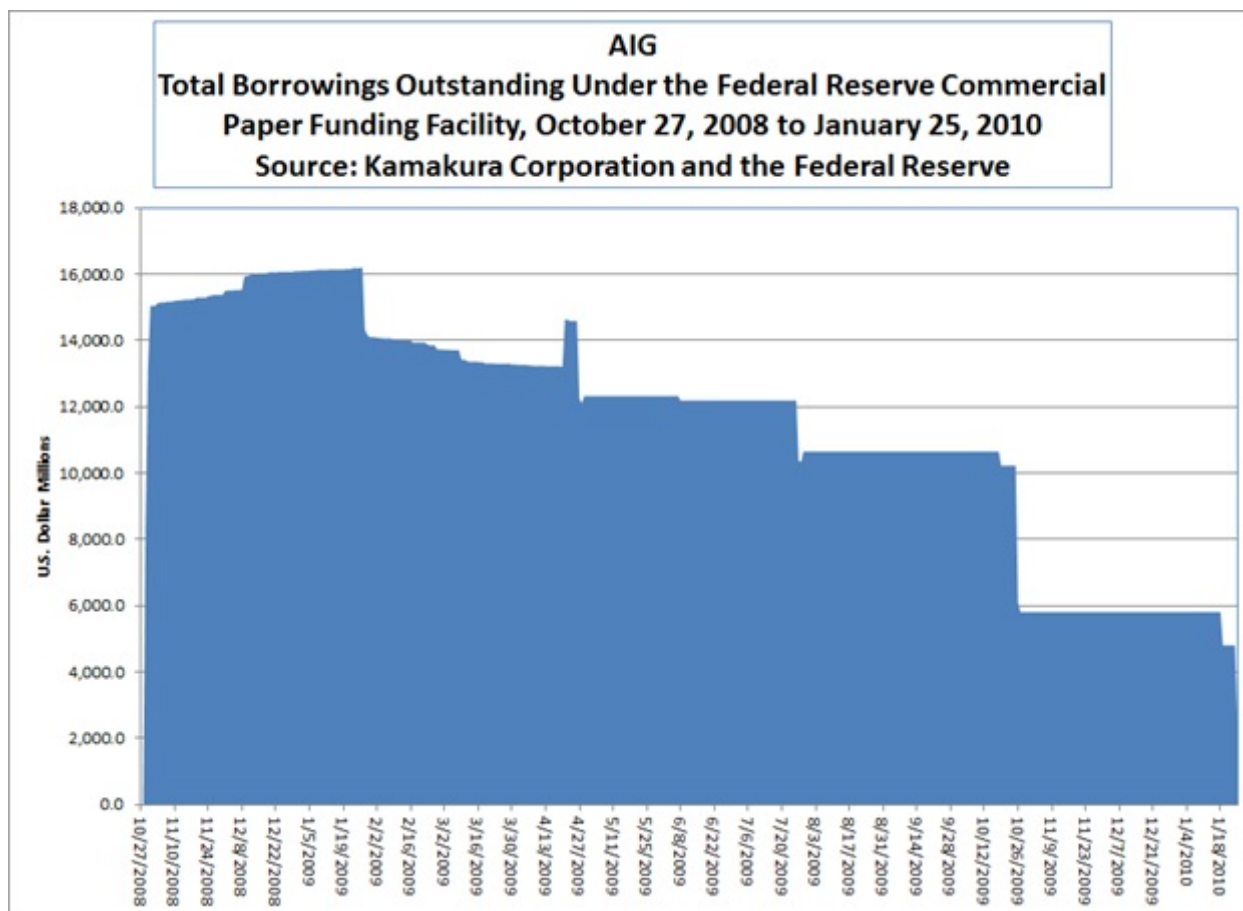
The pattern of outstandings for General Electric resembles those of UBS and Bank of America, where outstandings were driven by a small number of transactions in large size:



The graph for Fortis Bank SA/NV outstandings under the CPFF shows a pattern of a large number of transactions in smaller size:



The pattern for American International Group is an intermediate one, filled with a medium number of transactions in fairly large size, extending over almost the full October 27, 2008 to January 27, 2011 period:



In this blog and on August 25, we have described what, but not why, the Federal Reserve did in extending credit under the Commercial Paper Funding Facility to 82 privileged borrowers. As we noted on August 25, this analysis raises a number of questions to which Joe and Mary Six Pack deserve answers:

Why was it in the best interests of the United States to take, directly and indirectly, money from taxpayers like Joe and Mary Six Pack and loan 57% of the money to Europeans?

Why was it in the best interest of the United States to loan money via the CPFF to troubled institutions like Royal Bank of Scotland, Dexia, Fortis and UBS instead of lending to the governments of the U.K., the Netherlands, Belgium and Switzerland so that those governments could take the counterparty credit risk of RBS, Dexia, Fortis and UBS?

Why was it in the best interest of the United States to take money from Joe and Mary Six Pack to lend to foreign automakers like Toyota and BMW, which have played a large role in the financial troubles of GM, Chrysler, and Ford Motor Company?

Why was it in the best interest of the United States for American taxpayers to bail out the Republic of Korea and the Free State of Bavaria?

Like our conclusions about the Federal Reserve's "primary, secondary, and other extensions of credit," we find again that the extensions of credit under the CPFF had much more to do with taking Joe and Mary Six Pack's money to bail out Wall Street, Frankfurt, and London, not Main Street.

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 August 29, 2011

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