Get Out of Big Banks NOW!

Release 2.2

The next big bank failure will not be resolved with a government ***Bail-Out***.

It will be resolved by a depositor ***Bail-In***.

It's now legal for a big bank to confiscate your money.

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Author Notes

What Sections to Read if you're pressed for Time

If you want to be informed about your risks of losing your money to a Bail-In but don't want to read the entire document, then I've listed the three most important pieces of information to become acquainted with.

1. Most important section is, "What *You Absolutely, Positively Need to Know* about Banking and Your Money."
2. Next would be, "Your Personal Big Banking Risks."
3. Lastly, "Bail-In Example – How Your Money will be Confiscated."

Another option would be to view a 13-minute video that gives a good overview of Bail-In and its consequences.
https://www.youtube.com/watch?feature=player_embedded&v=xIVRcYJvjwA

Distribution

This document can be cited and freely distributed as long as Ellen Brown, the Public Banking Institute, and I are cited.

Acknowledgement

Much of the material contained in this document flows from the research and writings of Ellen Hodgson Brown. She is to be admired for her dedication in helping ordinary people in extraordinary situations. She is a true progressive with actionable ideas to solve real-world problems in health and banking.

Ellen is an American author, attorney, public speaker, political candidate and advocate of alternative medicine and financial reform. She is very active in promoting public banking and is the founder and president of the Public Banking Institute - a nonpartisan think tank devoted to the creation of publicly run banks. She is president of Third Millennium Press and author of twelve books; including Web of Debt, and The Public Bank Solution. Ellen has had over 200 articles published dealing with finance and the political economy. Thematically she is centered on big banks, debt, interest, corruption of private banks, and alternatives to private banking. On October 1, 2013, her piece, "Public Banks are Key to Capitalism", appeared in a debate on public banking in the New York Times.

She has appeared on cable and network television, radio, and internet podcasts. She talked about student loan debt on Fox Business Network with the Cato Institute's Neil McCluskey. She has appeared on the Russian network RT for a feature story on derivatives and debt, and has been a guest on Thom Hartmann's show, "Conversations with Great Minds." Ellen ran for California Treasurer in June 2014 on a platform creating a California State Public Bank to address all the financial challenges of the state.

She is a graduate of UC Berkeley and the UCLA Law School. She practiced law for ten years in Los Angeles; then spent 11 years abroad, in Kenya, Honduras, Guatemala and Nicaragua.

Her highly referenced websites are;

Web of Debt Blog at ellenbrown.com

The Public Banking Institute at http://www.publicbankinginstitute.org/

If you're truly interested in solving this nation's financial problems, giving our kids something to build on, Ellen is the person to support.

Your Personal Big Banking Risks

Dodd-Frank says "No More Federal Bailouts," so Big Banks Create Bail-Ins

(Note: For purposes of this paper a Big Bank is defined as any financial institution involved with derivatives. Most community banks and credit unions have no derivative exposure – but check.)

A few months ago I discovered that US banks are not legally required to give you cash whenever you request a withdrawal[1]. It turns out that as soon as you deposit money in a bank, the funds become the bank's property and you become an unsecured creditor holding an IOU from the financial institution. In trying to verify this I began researching the US financial system. As I dug deeper I uncovered a complex series of federal laws, risky big bank financial maneuvers, international financial group agreements, secret G20 leader approvals, and a mysterious, relatively unknown organization which happens to be most powerful financial entity in the world (The Bank for International Settlements). These convoluted pieces of information came together when I unearthed a document co-authored by the US Federal Deposit Insurance Corporation (FDIC) and the Bank of England outlining how the next big bank failure would be handled.

> ***US Federal laws, government agency approvals, international agreements, and tactical procedures are in place allowing the next big bank failure to be handled by an entirely new resolution policy. No longer will there be a government/taxpayer-funded Bail-Out, but rather a depositor Bail-In. The big banks will confiscate your deposits at their discretion with no prior notice. Your compensation for the bank's absconding with your money will be issuance of stock (equity) in a new bank capitalized on the ashes of the old bank.***
>
> ***Up until July 2014 the world's bail-ins have excluded insured deposits ($250,000 in US, EUR 100,000 in Europe). However, in that month the Austrian bail-in of Hypo Alpe Adria Bank went even further than the European standard. The government passed new legislation that the state's guarantee to protect depositor assets up EUR 100,000 to be <u>invalid retroactively</u>. All depositor money could now legally be confiscated to make up for the misdeeds of a bank.***
>
> ***The US's bank bail-in resolution policies still exclude insured deposits up to $250,000. However, if it happened in one place, it can happen in another simply by the stroke of a legislature's pen. And the FDIC won't be replenishing your funds either. Since your account has been converted to equity (stock) from cash, the FDIC is no longer responsible for your deposits. Why? Because the FDIC only insures cash accounts not equity accounts.***

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[1] In most legal systems, funds deposited are no longer the property of the customer. The funds become the property of the bank, and the customer in turn receives an asset called a deposit account (a checking or savings account). That deposit account is a *liability* of the bank on the bank's books and on its balance sheet. Because the bank is authorized by law to make loans up to a multiple of its reserves, the bank's reserves on hand to satisfy payment of deposit liabilities amounts to only a fraction of the total which the bank is obligated to pay in satisfaction of its demand deposits. The bank gets the money. The depositor becomes only a creditor with an IOU. The bank is not required to keep the deposits available for withdrawal but can lend them out, keeping only a "fraction" on reserve, following accepted fractional reserve banking principles. When too many creditors come for their money at once, the result can be a run on the banks and bank failure.

In other words, you may walk into your bank one day and instead of getting cash for a withdrawal request, you will receive a stock certificate and it will be your responsibility to convert it to cash. This legal seizure of your money will most likely happen on a weekend when the bank headquarters are closed or in just one night in a process called "overnight sweeps."

> "The unsecured debt holders can expect that their claims would be written down to reflect any losses that shareholders cannot cover, with some converted partly into equity in order to provide sufficient capital to return the sound businesses of the G-SIFI to private sector operation."
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> *Resolving Globally Active, Systemically Important, Financial Institutions,* coauthored by the FDIC & the Bank of England, December 10, 2012, Page ii.
>
> Note 1: unsecured debt holders are ordinary bank depositors like you & me
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> Note 2: G-SIFI stands for Global Systemically Important Financial Institutions (this means big banks with derivative exposures)

Control is superior to ownership with respect to any asset.

Don't Think it can Happen? – Wrong!

Sound unbelievable? Doubt this could actually happen? Think again – it already has. In March 2013, Cypress became the first nation to experience this new policy formally referred to as "*Resolving Globally Active, Systemically Important, Financial Institutions*"[2] (translation – procedure to save big banks in lieu of a government-taxpayer Bail-Out). The confiscation of depositor funds (hence the name Bail-In) in Cypress was not only approved but mandated by the European Union, along with the European Central Bank and the International Monetary Fund. They told the Cypriots that deposits below €100,000 in two major bankrupt banks would be subject to a 6.75% levy or "haircut," while those over €100,000 would be hit with a 9.99% "fine." When the Cyprus national legislature overwhelming rejected the levy, the insured deposits under €100,000 were spared; but it was at the expense of the uninsured deposits, which took a much larger hit, estimated at about 60 percent of the deposited funds[3].

The bank bail-ins that have occurred in Cypress, Poland, Spain, Bulgaria and Italy have been tragic but the recent Austrian bail-in (July 2014) is much more ominous. The Austrian government's bail-in legislation went further than the European standard as it does not exempt the first [Euro] 100,000 on accounts. Previously, the Austrian province of Carinthia had guaranteed the bank deposits, but the new legislation declares that the state guarantee to protect depositor assets up to EUR 100,000 is proclaimed *invalid retroactively*. This is the first bail-in using all of the bank's assets including what was supposed to be insured deposits. The insured deposit in the US is the first $250,000. If it happened in one place it can happen in another.

Think your money is safe if it's insured by the Federal Deposit Insurance Corporation (FDIC)? It's not. First of all, the FDIC can only protect your deposits if it has the money itself. With trillions of dollars in deposits and only $33 billion in the FDIC fund (as of 12/31/12), and the Dodd-Frank mandate of no more taxpayer bail-outs, there's nowhere to get the

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[2] This document can be obtained at the US Government FDIC website. http://www.fdic.gov/about/srac/2012/gsifi.pdf Paragraph 13 explicitly describes the now legal process to confiscate depositor funds. You also can get the document at my website http://www.randylangel.com/downloads.html

[3] http://www.forbes.com/sites/timworstall/2013/03/31/theres-something-very-strange-about-the-cyprus-bank-haircut-very-strange-indeed/

money except from the bond holders, creditors and depositors. The FDIC was set up to ensure the safety of deposits. Now, it seems, its function will be the confiscation of deposits to save Wall Street by executing the new Bail-In big bank failure resolution strategy.

After I had compiled this information, and even though the result was staring me in the face, I still just couldn't believe it. I'm not a financial maven so I reasoned I must have misinterpreted something. Consequently, I contacted a friend with extensive financial acumen and asked him to refute my research. His past experience includes serving as an advisor to two administrations on banking legislation and a former bank CEO. He now assists investor groups in applying for a federal bank charter or researches the purchase an existing institution for possible acquisition. Upon completing his analysis he not only said I was correct but took action immediately and transferred 80% of his bank deposits from Money Center Banks to smaller well-capitalized community banks and credit unions. That's good enough for me. I cashed out of the big banks and began looking at alternatives.

The box below contains some pertinent Bail-In quotes from Jeremy Stein, a member of the Federal Reserve Board of Governors.[4] These quotes were found on the Federal Reserve's own site.

> I should note at the outset that solving the TBTF (Too Big To Fail) problem has two distinct aspects. First, and most obviously, one goal is to get to the point where all market participants understand with certainty that if a large SIFI (Systemically Important Financial Institution (translation = Big Bank) were to fail, the losses would fall on its shareholders and creditors, and taxpayers would have no exposure. (This is the definition of Bail-in).
>
> And, if, despite these measures, a SIFI does fail, the orderly liquidation authority (OLA) in Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act now offers a mechanism for recapitalizing and restructuring the institution by imposing losses on shareholders and creditors. (Your deposits make you an unsecured creditor of the bank)
>
> Perhaps more to the point for TBTF (Too Big To Fail), if a SIFI (Big Bank) does fail I have little doubt that private investors will in fact bear the losses--even if this leads to an outcome that is messier and more costly to society than we would ideally like. Dodd-Frank is very clear in saying that the Federal Reserve and other regulators cannot use their emergency authorities to bail out an individual failing institution.

[4] "Regulating Large Financial Institutions," Jeremy C. Stein, Member Board of Governors of the Federal Reserve System, Presented at the IMF Conference "Rethinking Macro Policy II," April 17, 2013. http://www.federalreserve.gov/newsevents/speech/stein20130417a.htm

Definition of Bail-in

> ***A bail-in is when regulators or governments have statutory powers to restructure the liabilities of distressed banks and financial institutions, and impose losses on both bondholders and depositors. It is an attempt to resolve and restructure a bank as a going concern, by creating additional bank capital (recapitalization) via forced conversion of the bank's creditors' claims into newly created share capital (common shares of the bank).***

Understanding Big Bank Trickery by Asking Yourself Six Simple Questions

It only takes a few simple questions for the average person to understand the shenanigans the big banks are doing and the trouble they are causing[5].

1. What if the next time you wanted to borrow money you didn't have to list most of your debts?
2. What if Congress let you keep your credit card bills and mortgage liabilities hidden from view?
3. If you could hide your debts, how much would you borrow?
4. What would you do with that borrowed money?
5. How much risk would you take?

[5] "Bring Transparency to Off-Balance Sheet Accounting," by Frank Partnoy & Lynn Turner, Roosevelt Institute White Paper, March 2010.

Bail-in Example – How Your Money will be Confiscated

Scenario: Let's assume Bank of America gets mired in a precarious financial situation. Given the new resolution policy of Bail-In, how would your assets at Bank of America be affected? Can you still get cash to pay your bills?

Event	Reactions, Consequences	How, Why, Comments
JP Morgan Chase loans BofA money.	• JP Morgan Chase decides that BofA has been making questionable moves lately and decides to hedge against the risk of BofA not repaying their debt to Chase by purchasing a credit default swap derivative on BofA debt. • Chase also bets on a decline in value of BofA stock through a short sale.	• The credit default swap would pay Chase if BofA failed to repay their loan. • When an investor goes short on an investment, it means that he or she has bought a stock believing its price will go down in the future and they can make money on that bet.
Chase lets other hedge funds know they are shorting BofA.	• Hedge funds short BofA stock. • This will give an appearance in the financial marketspace of an old style "run on the bank."	• The BofA trouble may be real. However, it also could have been created by Chase to engender concern over BofA liquidity. • A BofA default will dramatically increase the value of Chase's BofA derivatives. That possibility might tempt Chase to take actions that would boost the odds of a BofA failure.
Hedge funds start buying a lots of BofA shorts.	• In a snowball effect, other financial groups start pulling their money out of BofA too. • BofA starts to have Capital Requirement problems	• This kind of behavior in which hedge funds pull their money out of banks whose stock they are shorting contributed to the failures of Bear Stearns and Lehman Brothers. • This tactic is also used by the International Monetary Fund to force devaluation in a country's currency so they will have to come to the IMF for a loan.
BofA is failing.	• Chase and all the other big banks cash-in their derivative contracts with BofA rapidly depleting BofA's assets.	• Normally when a bank is failing the FDIC would have the powers as "trustee in receivership" to protect the bank's collateral and bring about an orderly resolution of assets. The proceeds would be used to pay depositors with the difference being made up by the FDIC. However, this all changed with the passage of the 2005 *Bankruptcy Abuse Prevention and Consumer Protection Act.* • The Act gave Big Banks (those with derivatives) "super priority status." This means that all derivative contracts are paid by the assets of the failing bank before ANY other institution. The FDIC cannot intervene and must wait till the big banks holding derivative contracts with BofA get all their money back regardless of the assets affected.
BofA cash moved to other banks to pay for derivative contracts.	• BofA is drained of assets, including individual depositor accounts and state/local government accounts. • All cash is gone at BofA leaving only real estate assets.	• All this most likely will happen in one night in a process called "overnight sweeps." • One day a depositor will have money in his/her account and the next day there will only be a drastically devalued asset IOU entry.
FDIC arrives to resolve the failure.	• A new company is formed to manage the remaining assets of BofA. • Depositor asset IOU's are converted into stock in the new company.	• The FDIC executes the new Bail-In policy laid out in the December 2012 document, *Resolving Globally Active, Systemically Important, Financial Institutions*
A BofA customer needs money	• When asking for a withdrawal the person is given a share of stock in the new company but no cash.	• *In this situation the FDIC is no longer responsible for your account and is not required to give you cash. Why? Because the FDIC only insures cash accounts not equity accounts and your account has been converted to equity (stock) from cash*. • It is the customer's responsibility to get that share of stock converted to cash somehow, most likely greatly devalued.

What You *Absolutely, Positively* *Need to Know* about Banking & Your Money

"It is well enough that people of the nation do not understand our banking and money system, for if they did, I believe there would be a revolution before tomorrow morning." Henry Ford, founder of the Ford Motor Company.

You may not believe what's in the following table but it is the legal truth. I have summarized the salient points in the chart below. The detail and background information proving these statements is included in the document.

<table>
<tr><th>What Banking Really Is & How They Use Our Money</th><th>Ramifications/Comments</th></tr>
<tr><td>As soon as you deposit money in a bank, the money is no longer yours. The funds become the bank's property and you become an unsecured creditor holding an IOU from the financial institution.</td><td rowspan="2">• Up to this point banks have given out cash when demanded by a depositor. We have been conditioned to believe we can go to a bank and get our money anytime, but legally, that has never been the case.
• As of Dec 10, 2012, failing banks will be resolved with Bail-In procedures which give the big banks legal authorization to confiscate your money without advanced warning.
• The FDIC will not be replacing your money in a Bail-In scenario. Since your account will be converted to equity (stock) from cash to recapitalize a new bank on the ashes of the old using your money, the FDIC will no longer be responsible for your deposits. Why? Because the FDIC only insures cash accounts not equity accounts.</td></tr>
<tr><td>By law, a bank is not required to keep your deposits available for your withdrawal.</td></tr>
<tr><td>Banks DO NOT lend their deposits.
Banks DO NOT lend their own money.</td><td>• The common perception is that banks take in depositor money and then loan it to others and collect interest. This is not true.</td></tr>
<tr><td>Any loan in the US is financed by banks creating new money.</td><td>• Money is created out of debt.</td></tr>
<tr><td>In the US all money, except coins, is loaned into existence.</td><td>• Money = debt.</td></tr>
<tr><td>Money can only be created, and banks can only make profits, by creating new debt.</td><td>• To create new debt (and the banks to make money), banks have to find new people/governments and "encourage" them to borrow more and more.</td></tr>
<tr><td>Banks CREATE money by advancing credit to a borrower needing money.</td><td>• The entity requesting a loan could be a person, corporation, city or the federal government to pay a mortgage, car, college, war costs, soldiers pay, et al.</td></tr>
</table>

• The bank creates a deposit in the borrower's name by literally typing the amount onto a computer screen. The person/government now has money in his account to spend. In the bank's double entry booking system it is entered as a liability for the bank. • To balance the books, the bank simultaneously enters the borrower's promise to pay as an asset of the same amount.	• ***The recording of this asset amount into the bank's books is what officially creates new money. This new money is created out of thin air by typing an amount onto a computer screen***. • There's no magic. It's as simple as that. • The idea of money has been purposely obfuscated by private banks to hide the ease with which money is created.
The ***Great Secret of Banking*** is that banks create the money they lend simply by typing an amount into the deposit accounts of borrowers through a computer screen.	• ***And for this they charge interest even though they have done absolutely nothing to deserve it[6].***
Why in the world would the Federal Government borrow money from a private bank (Federal Reserve) and pay interest on this, when they could create the money themselves and have NO INTEREST PAYMENTS and NO GOVERNMENT DEBT? The answer is the passage of the Federal Reserve Act of 1913. The most important part of this legislation was that a private institution gained control of the money creation process for the entire US. Our country would have no debt if the money creation process was left in the hands of the federal government where the Constitution specifically says it should be[7].	
All banks in the US are private except North Dakota which has a public state bank. The Federal Reserve is a private bank.	• The Bank of North Dakota acts like a mini Federal Reserve in the state, providing corresponding banking services to virtually every financial institution in North Dakota. • All interest payments stay within the state to be used to fund projects or reduce taxes.
Public banks create money the same way private banks do. The difference is a publically-owned bank returns the interest back to the government or the community it represents, while private banks siphon the interest paid into private accounts progressively drawing money out of the productive economy.	• States deposit their revenues in Wall Street Banks (private banks) at minimal interest and then borrow money at much higher rates; yet they have massive capital and deposit bases themselves. • If the States had their own banks (public bank), they could leverage this money into low-cost (or no cost) credit for local purposes.

[6] Author comment: ***The creation of money by banks is so incredibly simple most people just don't believe it.***
For over a year I have been asking people if they know how money is created and no one has been close to the right answer. This confusion is understandable since one of the banking industry's primary goals is to distract people from the reality of money creation. They befuddle people by adding a myriad of complicated ancillary finance issues so the essence of their money-making regimen is hidden. People accept the fallacy of paying interest because "it's always been that way," when in fact it hasn't. It only became common when the 1913 Federal Reserve Act was signed. This created a privately owned central bank with the Congress "delegating" its Constitutional power to coin money to private banking concerns. The banking industry's program of misleading the public is so complete, the majority of Americans cannot even conceive of the possibility of no-interest loans. Well that is certainly a possibility with Public Banks.
[7] To this day questions remain if a Constitutional Congressional responsibility can be delegated to private sources.

Timeline Establishing the Legality of Bail-In – High Level Overview Proof

Date	Event	Ramifications, Must-Know Facts
1913	*Federal Reserve Act*	All of this really started when President Wilson signed the Federal Reserve Act. In it the Congressional power to create money was delegated to private bankers. See this document's section "What You *Absolutely, Positively Need to Know* about Banking & Your Money" to discover the ramifications of this bill.
1999	Repeal of Glass-Steagall Act	Banks now can comingle deposit & investment accounts for the bank's own investments.
April 2005	Passage of *Bankruptcy Abuse Prevention and Consumer Protection Act,* also known as the *Bankruptcy Reform Act*	• Creates Super-Priority Status for banks holding derivatives contracts. This means that when a financial institution is close to bankruptcy, any other bank or financial institution holding derivatives claims against the failing institution are given preference over all other creditors and customers for the remaining assets. • Normally, the FDIC would have the powers as trustee in receivership to protect the failed bank's collateral for payments made to depositors. But the FDIC's powers are overridden by the special status of derivative contract holders granted to them in this law. • In simple language, the big banks are first in line to claim the assets of the failing institution and nothing goes to the FDIC, depositors, or state and local governments until the big banks are through getting their share. • Rather than banks being put into bankruptcy to salvage deposits of their customers, the customers will now be put into bankruptcy to save the banks.
2008	Great Recession	• Derivatives, specifically credit default swaps, were the reason that what would otherwise have been a contained subprime crisis, instead turned into a global financial meltdown. • AIG wrote billions of dollars of derivatives "insurance" against the mortgage market without having even a fraction of what it would take to pay off claims. When the whole thing collapsed, they were wiped out. And because their "insurance" was part of the balance sheet of AIG's many counterparties (Goldman Sachs and everyone like them), Goldman Sachs would have been wiped out too by AIG's failure. • *That's* why the government bailed out AIG — and insisted on giving them 100 cents on the dollar — so that they could pay off Goldman et al. AIG was bailed out to bail out all their counterparties.
April 2009	Financial Stability Board (FSB) created	• Following the fiscal turmoil of the 2007-2008 worldwide financial collapse, the G20 nations at their 2009 London summit formalized a new organization called the Financial Stability Board. • The G20 nations agreed to be regulated by the newly formed FSB which is a sub-committee of the relatively unknown Bank of International Settlements. This has far-reaching implications. • The Bank for International Settlements (BIS) is a mysterious organization formed by an international treaty signed in The Hague in 1930. Its original mission, established by bankers and diplomats of Europe and the United States, was to collect and disburse Germany's World War I reparation payments (hence its name). • BIS is composed of unelected country representatives, is not accountable to any government or financial institution, and is immune from taxation. In both peace and war the BIS is guaranteed these privileges by the international treaty signed 80+ years ago. • The BIS has become the central bank of central banks and is the most powerful financial organization in the world.
July 2010	Passage of the *Dodd-Frank Wall Street Reform & Consumer Protection Act.*	• Section 716 bans taxpayer bailouts of most speculative derivatives activities. • On the surface this appears to be a good thing but where will the banks get the money in the next crisis? And be assured – they will get their money.

Oct 2011	Financial Stability Board (FSB) releases the document; *Key Attributes of Effective Resolution Regimes for Financial Institutions.*	• This is the first mention of a new bank resolution concept for failing banks called Bail-In. It replaces previous government – taxpayer funded Bail-Outs for resolution of bank failures. • This is the basis for what latter will become the legal right for US big banks to confiscated your money and in return give you equity i.e., a share of stock, in a new recapitalized company formed because of the ashes of the failed bank.
Nov 2011	The G20 leaders endorse the FSB's Key *Attributes* document at the Cannes Summit.	• "The Key Attributes" are now the new international standard for developing bank failure resolution plans.
Late 2011	Bank of America is downgraded by Moody's. Bank of America moves a large portion of its trillions in derivatives from its Merrill Lynch unit to comingle with its banking subsidiary. JP Morgan Chase follows suit moving its trillions in derivatives to its depository arm.	• BofA did not get regulatory approval but just acted at the request of frightened counterparties (BofA investors with personal financial reasons to keep BofA stable & profitable) • The FDIC opposed the move, protesting that the FDIC would be subjected to the risk of becoming insolvent if BofA were to file for bankruptcy. However, the Federal Reserve favored the move, in order to give relief to the bank holding company, so it overruled the FDIC. • The FDIC, a US government agency was overruled by a PRIVATE institution called the Federal Reserve which is not a government agency but rather a private bank run by private bankers. • This puts the FDIC in a wholly untenable position. They have to do something to protect themselves from billions, maybe trillions, in liabilities.
Aug 2012	Legal precedent established for the super-priority status of derivative contract holders over depositors.	• A US federal appeals court upholds a ruling putting Bank of New York Mellon ahead of former customers of Sentinel Management Group in the line of those seeking the return of money lost in company's 2007 failure. • The appeals court affirmed an earlier district court ruling that the bank had a "secured position" on a $312 million loan it gave to Sentinel, which turned out to have been secured by customer money at MF Global.
Nov 2012	Financial Stability Board (FSB) releases the document, *Recovery and Resolution Planning: Making the Key Attributes Requirements Operational.*	• With this guidance each country is to formulate plans and submit them to the FSB for review and comparison with other country's plans. • A new phrase is created called Global Systemically Important Financial Institutions, G-SIFIs (this means big banks). • The document specifically states, "Banking groups that are G-SIFIs are therefore the main focus of this consultative document." Big banks are being given preferential treatment.
Dec 2012	FDIC & Bank of England jointly publish, *Resolving Globally Active, Systemically Important, Financial Institutions.*	• This document provides the legal framework for seizing deposit accounts in failed banks and converting them to stock in the reconstituted bank in order to preserve the soundness of the bank. This formally establishes that the next big bank failure will be resolved by a Bail-In. • Paragraph 13, page 3, "<u>An efficient path for returning the sound operations of the G-SIFI (big banks) to the private sector would be provided by exchanging or converting a sufficient amount of the unsecured debt from the original creditors (depositor's money) of the failed company into equity. In the U.S., the new equity would become capital in one or more newly formed operating entities…or the equity could be used to recapitalize the failing financial company itself…</u>". • Translation. One day you enter your big US bank asking for a withdrawal and you receive a share of stock rather than cash. It's your responsibility to convert the stock into cash. • <u>Since your account has been converted to equity (stock) from cash, the FDIC is no longer responsible for the deposits. Why? Because the FDIC only insures cash accounts not equity accounts</u>. Cute trick. You can't really blame the FDIC because they were forced into action when BofA and JP Morgan Chase moved their trillions of derivatives into their depository arms. There is no way the government could make up the money lost with one of those giants failing.
Mar 2013	**Bail-In Occurs** Cypress becomes the first nation to experience this new policy of Bail-In to save failing banks by taking depositor funds.	• The confiscation of depositor funds in Cypress was not only approved <u>but mandated</u> by the European Union, along with the European Central Bank and the International Monetary Fund. They told the Cypriots that deposits below €100,000 in two major bankrupt banks would be subject to a 6.75% levy or "haircut," while those over €100,000 would be hit with a 9.99% "fine." When the Cyprus national legislature overwhelming rejected the levy, the insured deposits under €100,000 were spared; but the uninsured deposits took a 60% hit.

May 2013	**Bail-In Occurs** Spain's Bankia bank is allowed to begin trading it's shares again, one(1) year after the bankruptcy declaration.	• On May 21, 2013, trading in Bankia stock was finally permitted—but only for large institutional investors, who were allowed to take their money and run. • Small savers, who held about 5 billion of the total 6.85 billion euros in holdings, had to wait another week. Then on May 28, when trading for them was permitted, the share price plummeted from 1.35 to 0.57 euros.[8]
Sept 2013	**Bail-In Occurs** Italy's oldest bank Monte Paschi	• It halted all coupon payments on Tier 1 bondholders, effectively bailing-in $650 million in bondholder's notes to recapitalize the bank.[9]
June 2014	**Bail-In Occurs** Bulgarian Central Bank seizes control of the Corporate Commercial Bank	• Corporate Commercial Bank is Bulgaria's 4th largest bank. Bank operations are shutdown and depositors are blocked from taking out their money.
June 2014	Big Banks hit with $250 Billion lawsuit as a result of the housing crisis.	• Suit brought by Blackrock, the world's largest asset manager and PIMCO, the world's largest bond-fund manager. • The banks sued are; Deutsche Bank AG, U.S. Bank, Wells Fargo, Citigroup, HSBC Holdings PLC, and Bank of New York Mellon Corp. • The suit is for breach of fiduciary duty as trustees of their investment funds. • In the years since the home financing debacle, many people have tried to sue the big banks but have gotten nowhere. Now the big boys with lots of lawyers on both sides will slug it out. If we're lucky they'll end up destroying each other.
July 2014	**Bail-In Occurs** The Austrian government passes legislation for a bail-in of Hypo Alpe Adria bank (HAA), of about EUR 900 million.	• The Austrian government's legislation goes even further than the European standard for bail-in as it does not exempt from the bail-in the first [Euro] 100,000 on accounts.[10] • Previously, the Austrian province of Carinthia had guaranteed the bank deposits, but the new legislation declares that the state guarantee to protect depositor assets up to EUR 100,000 to be invalid retroactively. • ***This is a very, very bad situation for people depositing money in big banks.* Bail-in bank resolution plans have supposedly guaranteed the insured deposits of individuals (in the US it is $250,000) but now we have a national government invalidating the rules and not only taking working people's savings but also making it retroactive!**
Aug 2014	**Bail-In Occurs** Portugal's Banco Espirito Santo shut down and Bail-in is part of the resolution.	• While the Portuguese government will provide most of the money for the rescue in the form of a loan, the heaviest losses will be absorbed by Banco Espírito Santo shareholders and some creditors. The plan will serve as an early test of new European rules intended to make sure that investors, and not just taxpayers, most directly deal with the fallout when banks fail.[11]
Sept 3, 2014	The Federal Reserve, the FDIC and the Office of the Comptroller of the Currency, change the liquidity requirements for the nation's largest banks by eliminating Municipal bonds from the list of high-quality liquid collateral.[12]	• The Federal regulators adopted a new rule that requires the country's largest banks – those with $250 billion or more in total assets – to hold an increased level of newly defined "high quality liquid assets" (HQLA) in order to meet a potential run on the bank during a credit crisis. • The rule change may not have much effect in a crash, but where it will have a major effect is on the cost of credit, which will increase for municipal governments and decrease for corporate and financial institutions. The result will be to further shift power and financial resources from the public sector to the private sector. • Why would regulators dangerously jeopardize state and local government budgets in this way? Speculation is the intent is to Detroit-ize municipal governments, so that assets can be stripped. The international bankers got away with asset-stripping Greece. Why not make the US itself a wholly-owned subsidiary of private banking interests?

[8] http://www.forbes.com/sites/afontevecchia/2013/05/28/spains-bankia-decimates-savers-as-stock-plummets-police-officer-stabs-banker-who-sold-him-shares/
[9] http://www.reuters.com/article/2013/12/10/us-italy-banks-minister-idUSBRE9B90K420131210
[10] http://beforeitsnews.com/economy/2014/07/austria-bail-in-invalidates-state-guarantee-2643694.html
[11] http://www.nytimes.com/2014/08/04/business/international/banco-espirito-santo-of-portugal-appears-headed-for-a-bailout.html?_r=0
[12] http://wallstreetonparade.com/2014/09/the-fed-just-imposed-financial-austerity-on-the-states/

Timeline Establishing the Legality of Bail-In – Detailed Proof

Date	Event	Description	Ramifications, Must-Know Facts	Comments, Opinions, References
1913	*Federal Reserve Act*		• See this document's section "What You ***Absolutely, Positively*** *Need to Know* about Banking & Your Money" to discover the ramifications of this bill.	• All of this really started when President Wilson signed the Federal Reserve Act. In it the Congressional power to create money was delegated to private bankers.
1999	Repeal of the *Glass-Steagall Act.*	• The original law was passed in 1933 as a result of banker's taking risky investments. The reckless behavior in the 1920's was the prime catalyst of the Great Depression in the 1930's. • The law separated commercial and investment banking and had been in force for 7 decades.	• Glass-Steagall prevented banks from using insured FDIC deposits to underwrite private securities and then dumping them on their own customers. With repeal, the banks were now free to use depositor's money for the bank's own investments.	• The post-repeal years were almost an exact replay of the Roaring Twenties. Once again, banks originated fraudulent loans and once again they sold them to their customers in the form of securities. The bubble peaked in 2007 and collapsed in 2008. The hard-earned knowledge of 1933 had been lost in the arrogance of 1999. • This is widely acknowledged to be one of the major causes of the 2008 financial collapse.
1999	Financial Stability Forum founded.	• G7[13] country's financial authorities such as finance ministries, central bankers, securities regulators, and other international financial bodies create a working group to promote global financial stability. • The Bank for International Settlements (BIS) was chosen as the organization to house the newly created forum.		• The BIS was originally established in May 1930 by bankers and diplomats of Europe and the United States to collect and disburse Germany's World War I reparation payments (hence its name). • It is composed of unelected, member country, financial representatives and other elites. • It is not accountable to any government or financial institution. • It has immunity from any government interference and is free from any taxation. In both peace and war the BIS is guaranteed these privilege by an international treaty signed in The Hague in 1930. • It is the central bank of central banks and is, consequently, the central bank of the world.

[13] The G7 is a group consisting of the finance ministers of seven industrialized nations: the U.S., U.K., France, Germany, Italy, Canada and Japan. They are seven of the eight (China excluded) wealthiest nations on Earth, not by GDP but by global net wealth. The G7 represents more than the 66% of net global wealth ($223 trillion), according to Credit Suisse Global Wealth Report September 2012.

April 2005	Passage of *Bankruptcy Abuse Prevention and Consumer Protection Act,* also known as the *Bankruptcy Reform Act.*	• Creates Super-Priority Status for derivatives holders. This means that when a financial institution is close to bankruptcy, any other bank or financial institution holding derivatives claims against it are given preference over all other creditors and customers for the remaining assets of the failing institution.	• Normally, the FDIC would have the powers as trustee in receivership to protect the failed bank's collateral for payments made to depositors. But the FDIC's powers are overridden by the special status of derivatives in this law. • Rather than banks being put into bankruptcy to salvage deposits of their customers, the customers will now be put into bankruptcy to save the banks. • This super-priority status not only supersedes individuals and companies but also state and local governments. If the city of Newport Beach had its money in bank A and it was failing, and if bank B had derivatives claims against bank A, bank B could take the cash from bank A accounts (assets) before the city could. Operating and pension funds could be wiped out.	• The phrase "derivative counter-parties" is the actual wording the law uses to describe banks or financial institutions. Counterparty is a term commonly used in the financial services industry to describe a legal entity, unincorporated entity or collection of entities to which an exposure to financial risk might exist. • Hailed at the time of the bill's passage as the banking lobby's greatest all-time victory. http://en.wikipedia.org/wiki/Bankruptcy_Abuse_Prevention_and_Consumer_Protection_Act • The 2011 collapse of derivatives broker MF Global resulted in nearly $1.6 billion in potential losses from customer accounts and established a precedent for the super-priority status of other claimants ahead of depositors. Derivatives counterparty JP Morgan Chase received super-priority status against customers for their claims on MF Global assets. While MF Global was not a bank, the legal arguments for super-priority status ensure that derivatives counterparties and large investment firms will structure their agreements to receive priority status during the liquidation of bank (and customer) assets. In a best case scenario, depositors will regain access to their funds after years of litigation[14].
2008	Great Recession	• The financial crisis has enough blame to go around[15]. Borrowers were reckless, brokers were greedy, rating agencies were negligent, customers were naïve, and government encouraged the fiasco with unrealistic housing goals and	• AIG wrote billions of dollars of derivatives "insurance" against the mortgage market without having even a fraction of what it would take to pay off claims in the naked belief that they could collect fees forever and never have to pay out once. When the whole thing collapsed, they were wiped out. And because their "insurance" was part of the	• Derivatives[16] are contracts between parties who want to trade risks, but they aren't market-traded, standardized or vetted by any controlling institution. • In derivatives trading, the counterparties know each other, the contracts are one-off between the parties directly, and

[14] http://dcpublicbanking.org/multimedia-archive/legal-framework-for-big-banks-puts-depositors-at-risk/

[15] Causes of the Financial Crisis, Mark Jickling, Congressional Research Office, April 9, 2010. A copy of the document can be obtained from http://www.fas.org/sgp/crs/misc/R40173.pdf or my website at http://www.randylangel.com/downloads.html

[16] A derivative is a financial product derived from another financial product (for example, a futures contract tied to a stock index). In practice, the term applies to a whole world of financial products that are written on a one-off basis between two entities called "counterparties," as opposed to products that are traded on a broad, well-regulated market. Standard futures contracts are bought and sold on large exchanges, for example, the Chicago Board of Trade (CBOT). If I buy a futures contract — for example, I go long (contract or agree to *buy* in the future) a million bushels of wheat, or barrels of oil, in the expectation that the future price will rise within the time limit of the contract — there will be a counterparty on the short, or selling side, but I have no idea who that is. In fact, in a well-regulated market, the contracts are all standardized; there are thousands of identical contracts in pairs (one on the long or buy side, and one on the short or sell side); and as long as there are the same number of identical contracts on each side, it makes no difference who's on the other side of my personal contract. The exchange just matches up longs with shorts when they liquidate. The contracts, as you can see, are created by the exchanges themselves (for example, by the CBOT); they keep the operation orderly; and there are rules, both by the exchanges and by the government, that prevent things (mostly) from running out of control. For example, I can indeed buy futures contracts on millions and millions of barrels of oil for delivery next July (say), and I *can* put up a tenth of the cost of these contracts, but if the market moves against me, I have to increase my margin (add to my escrow if you will) to protect my counterparties from my inability to pay. The exchange requires that, and if I don't comply, I'm liquidated (at my expense) and kicked out. Futures contracts are gambling — I can bet on the Dow to go down or up, for example — but trading in futures contracts is regulated gambling, in which winners are protected from losers, and in many cases, losers protected from themselves. **Not so, derivatives**, in the usual meaning of the word. Derivatives in that sense are contracts between parties who want to trade risks, but they aren't market-traded. They aren't standardized. And counterparties aren't vetted by any controlling institution. In derivatives trading, the counterparties know each other, the contracts are one-off between the parties directly, and the only guarantee that either party will get paid is trust or the naked belief that they just can't lose on this one.

		unlimited lines of credit at Fannie Mae and Freddie Mac. • The fact that there were so many parties to blame should not be used to deflect blame from the most responsible parties of all—the big banks. Without the banks providing financing to the mortgage brokers and Wall Street while underwriting their own issues of toxic securities, the entire pyramid scheme would never have got off the ground. • *Derivatives, specifically credit default swaps, were the reason that what would otherwise have been a contained subprime crisis, instead turned into a global financial meltdown*	balance sheet of AIG's many counterparties (Goldman Sachs and everyone like them), Goldman Sachs would have been wiped out too by AIG's failure. • *That's* why the government bailed out AIG — and insisted on giving them 100 cents on the dollar — so that they could pay off Goldman et al. AIG was bailed out to bail out all their counterparties.	the only guarantee that either party will get paid is trust or the naked belief that they just can't lose on this one[17]. • The vast majority of US derivatives are Credit Default Swaps[18] (CDS). The Office of the Comptroller of the Currency document, "OCC's Quarterly Report on Bank Trading and Derivatives Activities First Quarter 2013," page 9, puts the CDS's percent of the US derivatives market at 97.2%. • Credit default swaps are pure casino bets. They were originally designed as a form of insurance against bond and other credit defaults ("I'll pay you a monthly fee and you pay me my losses if these bonds default."). It's a simple concept, but CDSs soon evolved. Turns out you don't have to actually hold the bonds to insure them. This means that one guy can sit at a table with a bunch of bonds (or bundles of mortgages), while another guy can insure them. Meanwhile, at 50 other tables, 50 more guys can buy the same "insurance" on the same bonds from anyone who will sell it to them. Keep in mind, only the first guy actually holds the bonds. The other guys just know they exist. That's 50 side-bets on one set of bonds. Do you see the problem? One guy's bonds default and suddenly 51 guys in that room, everyone who sold "insurance," they're *all* wiped out. Why? Because the dirty secret of derivatives bets is that the people offering the "insurance" *rarely have the money to cover the loss*. They're betting that they can collect "insurance" fees forever and the defaults will never come. That's what happened with mortgage-backed bets in 2007, and that's what's happening today. • Banks are placing billions of dollars in casino bets per day with Uncle Sam's money and we are on the hook for the losses. That's a sweet deal for the big banks.
April 2009	Financial Stability Board (FSB) created	• Following the fiscal turmoil of the 2007-2008 worldwide financial collapse, the G20[19] nations at their 2009 London	• The most far-reaching outcome of the summit was that the G20 nations agreed to be regulated by the	• Today, 58 global central banks belong to the BIS, and it has far more power over how the U.S. economy (or any other

[17] Derivatives example. Suppose Bank 1 (B1) decides to hedge against the risk that Bank 2 (B2) might fail to repay their debt to B1. To guard against that, B1 might hedge the risk through derivatives. In so doing, B1 might buy a credit default swap (CDS) on B2 debt. The CDS would pay B1 if B2 failed to repay their loan. B1 might also bet on the decline in shares of B2 through a short sale. At that point, any action that B1 might take to boost the odds that B2 might default would increase the value of their derivatives. That possibility might tempt B1 to take actions that would boost the odds of failure for B2. This kind of behavior -- in which hedge funds pulled their money out of banks whose stock they were shorting – contributed to the failures of Bear Stearns and Lehman Brothers.

[18] A good set of product descriptions, definitions and frequently asked questions about derivatives is at http://www.isda.org/educat/faqs.html#1

[19] The Group of Twenty Finance Ministers and Central Bank Governors (also known as the G20 is a group of finance ministers and central bank governors from 20 major economies: 19 countries plus the European Union, which is represented by the President of the European Council and by the European Central Bank. Collectively, the G20 economies account for approximately 80% of the gross world product (GWP), 80% of world trade, and two-thirds of the world population.

		summit formalized a new organization called the Financial Stability Board. • It was the successor of the Financial Stability Forum (created in 1999 – see above) and was to become a sub-committee of the Bank of International Settlements (BIS). • The FSB's stated goal was to identify key weaknesses underlying the current financial instability and recommend actions to improve market and institutional resilience.	newly formed FSB and by association the Bank of International Settlements. • The Bank for International Settlements (BIS) has become <u>the most powerful financial organization in the world</u>, yet few people know of its existence.	economy for that matter) will perform over the course of the next year than any politician does**.** • Every two months, the central bankers of the world gather in Basel, Switzerland for another "Global Economy Meeting"**.** During those meetings, decisions are made which affect every man, woman and child on the planet, and yet none of us have any say in what goes on**.**
Dec 2009	Passage of H.R. 1207 – Audit the Fed Bill	• Congressman Ron Paul (R-Texas), submitted his audit-the-fed bill attracting 320 cosponsors, one hundred of whom flip-flopped to go with Wall Street and the Obama administration at crunch time.	• It passed in the House but Wall Street and the Fed had a strategic ally in the Senate to sabotage Ron Paul's audit: Sen. Bernie Sanders (I-Vt.). Sanders' job was to strip the bill of as much authority as possible, while still making it appear to be authorizing a full, rigorous audit.	• Sanders last-minute "compromise" with the Obama administration had the big banks agreeing to audits of TARP & Term Asset-Backed Securities Loan Facility, but big items — the Federal Reserve's Federal Open Market Committee, discount window operations, agreements with foreign central banks — would remain cloaked.
July 2010	Passage of the *Dodd-Frank Wall Street Reform & Consumer Protection Act.*	• Section 716 bans taxpayer bailouts of most speculative derivatives activities. • It does not in any way limit the swaps activities which banks or other financial institutions may engage in.	• There will be no more $700 billion taxpayer bail-outs. On the surface this appears to be a good thing but where will the banks get the money in the next crisis? And be assured – they will get their money.	• Bankers have figured a way around no government bail-outs and now have Bail-Ins which is confiscation of depositor's funds. That's right – they are going to take your money and as of December 2012 it is now perfectly legal.

July 2011	Publication of General Accounting Office report titled; *Federal Reserve System: Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance.*[20]	• This was the result of the restricted, one-time audit of the Fed that had been pushed through the House by Rep. Ron Paul and then watered down in the Senate. • Gives the American public a partial peek into the colossal scale of the many Fed programs designed to funnel money to the big banks.	• On page 131 of the report, a table titled "Total Transaction Amounts (Not Term-Adjusted) across Broad-Based Emergency Programs" received by various institutions. Here are a few of the listed entries: • Citigroup - received more than $2.5 trillion • Morgan Stanley - received more than $2.04 trillion • Merrill Lynch - received more than $1.9 trillion • Bank of America - received more than $1.3 trillion • Barclays - received more than $868 billion • Bear Stearns - received more than $853 billion • Goldman Sachs - received more than $814 billion • *The total (as July 2011) given by the Fed to the big banks with no requirement to repay was $16,100,000,000,000. ($16.1 Trillion). That's over $50,000 for every man, women and child In America.*	• On January 6, 2014, various news agencies reported that JPMorgan Chase had cut a deal with the U.S. Department of Justice to pay $2 billion in fines and reimbursement to investors for its role in the Bernard Madoff investment scheme, often called "the largest financial fraud in U.S. history." The reported $65 billion in losses is chump change in comparison to the trillions of dollars that the Fed and its favored Wall Street banks have sloshed around. • The Madoff losses, of course, represent tragedy for the 4,800 clients who invested in Madoff's long-running scam, but at least those victims voluntarily placed their funds in his hands. The millions of victims of the Fed's policies are given no choice in the matter. Madoff was sentenced to 150 years in prison and his ill-gotten assets have been confiscated to (partially) reimburse those he fleeced. JPMorgan Chase executives, on the other hand, who were Madoff's partners in crime for many years, have gotten off without any criminal prosecution. That is par for the course. No Wall Street bank executives have been prosecuted by the Obama administration's Justice Department, and there has been no criminal investigation into the enormous, blatantly obvious conflicts of interest among top officials and personnel of the Federal Reserve itself.[21] • How many more trillions have been given between then and now (2014). There is a web site tracking where taxpayer money has gone in the ongoing bailout of the financial system. It accounts for both the broader $700 Billion TARP and the separate bailouts of Fannie Mae & Freddie Mac. For each receiver of funds it provides a "Net Outstanding" amount, which shows how deep taxpayers are in the hole after accounting for any revenue the government has received (usually through interest or dividends). http://projects.propublica.org/bailout/list
Oct 2011	Financial Stability Board (FSB) releases the document, *Key Attributes of Effective Resolution Regimes for*	• Details the core elements the FSB considers necessary for an effective resolution of a future bank failure. • To quote the document, the FSB believes that the "implementation should allow authorities to resolve financial institutions in an orderly manner without	• This is the first mention of the concept of a Bail-In to replace previous Bail-Out resolutions of bank failures. • Key Attribute 3.2 section ix, "Carry out bail-in within resolution as a means to achieve or help achieve continuity of essential functions either (i) by recapitalizing the entity hitherto providing these	• This is the basis for what latter will become the legal right for US big banks to confiscated your money and in return give you equity i.e., a share of stock, in a new recapitalized company formed because of a bank failure.

[20] http://www.gao.gov/products/GAO-11-696

[21] http://www.thenewamerican.com/economy/sectors/item/17623-bank-bailouts-without-end

	Financial Institutions[22]	taxpayer exposure to loss from solvency support, while maintaining continuity of the bank's vital economic functions."	functions that is no longer viable, or, alternatively, (ii) by capitalizing a newly established entity or bridge institution to which these functions have been transferred following closure of the non-viable firm (the residual business of which would then be wound up and the firm liquidated)."	
Nov 2011	The G20 leaders endorse the *Key Attributes of Effective Resolution Regimes for Financial Institutions* at the Cannes Summit.	• "The Key Attributes" are now the international standard for developing bank failure resolution plans.		
Late 2011	Bank of America is downgraded by Moody's. Bank of America moves a large portion of its trillions in derivatives from its Merrill Lynch unit to its banking subsidiary. JP Morgan Chase follows suit moving its trillions in derivatives to its depository arm.	• BofA did not get regulatory approval but just acted at the request of frightened counterparties (BofA investors and other groups with personal financial reasons to keep BofA stable and profitable i.e., stable and profitable at least as far as the public is concerned). • The FDIC opposed the move, protesting that the FDIC would be subjected to the risk of becoming insolvent if BofA were to file for bankruptcy. However, the Federal Reserve favored the move, in order to give relief to the bank holding company, so it overruled the FDIC. • *Remember that the FDIC is a federal government agency acting according to existing federal law. The Federal Reserve*[23] *is not a federal government agency yet it reversed the legal and fiduciarily proper actions of a government agency because the bank's investors, not*	• Moving derivatives contracts to the bank's deposit arm commingles the cash you and I have in the bank with highly-leveraged, extremely risky derivative investments. • If a bank needs to pay off on a derivative (it is after all a contract and some contracts are winners and some losers), the pooled money pot (the bank's derivative gains and our cash) is used to pay the debt. As long as profits from derivatives are greater than losses, our deposits are not affected. • If lots of derivatives go bad such that derivatives profits are less than losses, then using the pooled pot of money to pay off the bank's obligation will result in our deposits (our cash) being eroded. We will not know this is happening since individual deposit accounts will not reflect the decrease in value as long as the bank is solvent. • If lots of derivatives go bad such that the bank is in danger of failing, then the super-priority status granted to derivatives claimants by the 2005 Bankruptcy Reform Act comes into play. Normally, the FDIC would have the powers as trustee in receivership to protect the failed bank's collateral	• Here's how it would work. Let's assume there is a major derivatives bust at BofA. As of 12/31/12 BofA had derivatives with notional values exceeding $42 trillion (see US Comptroller of Currency entry below). A number this large indicates that there would be many financial institutions liens against BofA. As BofA is failing (not after it has failed but while it is failing), all the financial institutions holding BofA derivative contracts call them and take whatever BofA assets are still remaining. After all the banks get done taking their slice of BofA assets the collateral is likely to be gone. With nothing left for the FDIC to take into receivership to pay secured depositors (including state and local governments), the FDIC is now on the hook for it all. This is why the FDIC is so annoyed by this big bank financial maneuver. • This puts the FDIC in a wholly untenable position. They have to do something to protect themselves from billions, maybe trillions, in liabilities. In December 2012 the FDIC, in conjunction with the Bank of England, formulize a solution to handle the next big bank failure. It will colloquially be known as Bail-In, versus the previous way of handling big bank failures known as Bail-Out.

[22] A copy of the document can be obtained from http://www.financialstabilityboard.org/publications/r_111104cc.pdf or my website at http://www.randylangel.com/downloads.html

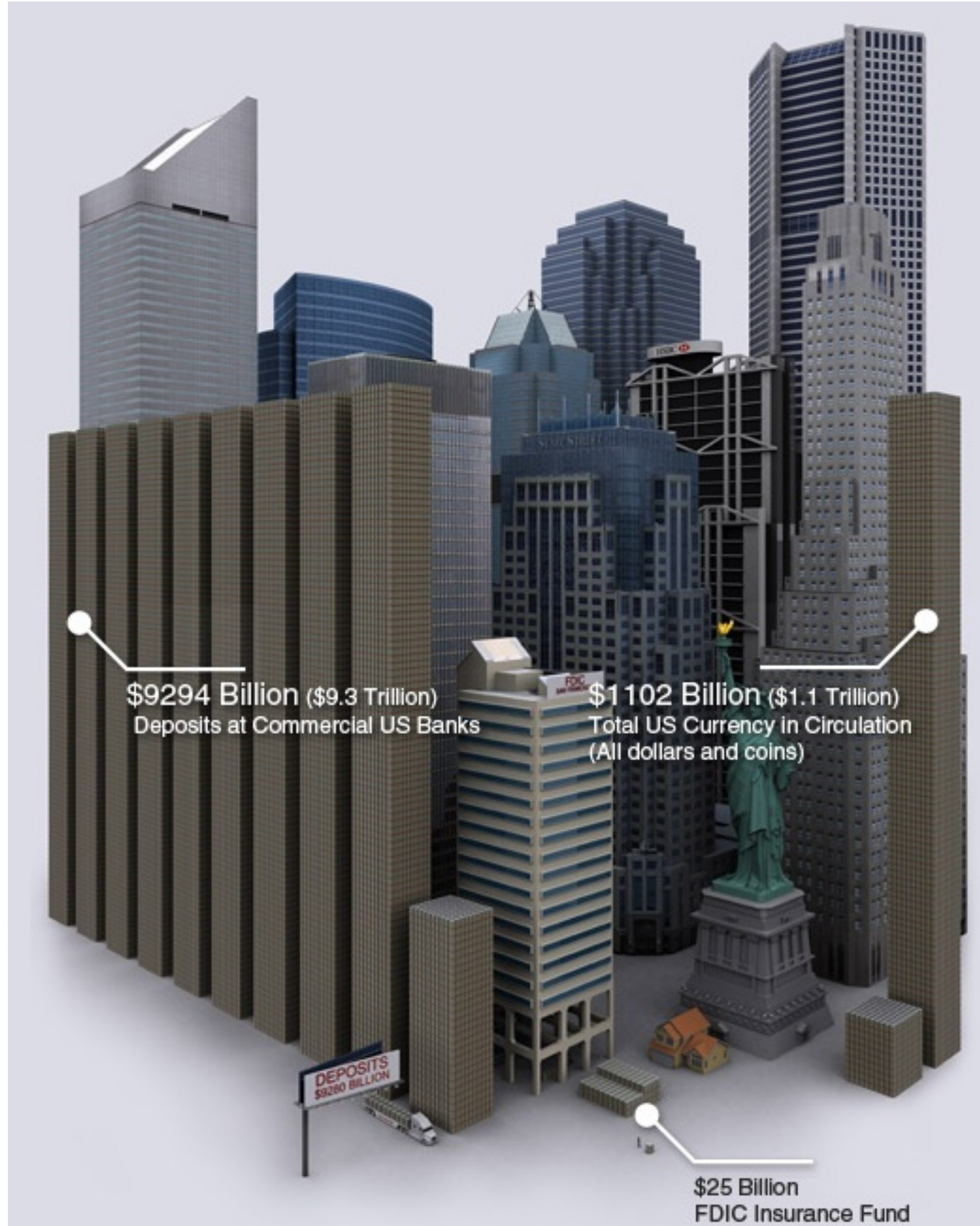
[23] The Federal Reserve System has both private and public components, and was designed to serve the interests of both the general public and private bankers. However, the good intentions of its 1913 formation have been overshadowed so that today the Federal Reserve works almost exclusively for private banking interests. The Fed's structure is considered unique among central banks. It is unusual in that an entity outside of the Fed, namely the United States Department of the Treasury, creates the currency used. According to the Board of Governors, the Federal Reserve System "is considered an independent central bank because its monetary policy decisions do not have to be approved by the President or anyone else in the executive or legislative branches of government, it does not receive funding appropriated by the Congress, and the terms of the members of the Board of Governors span multiple presidential and congressional terms.

		depositors, might be harmed. This is not acting in the public interest[24].	for payments to make to depositors. But the FDIC's powers are overridden by the special status of derivatives claimants. • In simple language, the big banks are first in line to claim the assets of the failing institution and nothing goes to the FDIC, depositors and state or local governments until the big banks are through getting their share.	• http://www.dailykos.com/story/2011/11/02/1032356/-Why-the-FDIC-is-Upset-With-Bank-of-America-s-Derivatives-Transfer-Despite-Dodd-Frank • http://jonathanturley.org/2011/11/06/bank-of-america-the-great-derivatives-transfer/
	The lunacy of giving big banks super-priority status in derivatives by the 2005 *Bankruptcy Reform Act* was actively supported in an article by Mark J. Roe in 2011. Mr. Roe is a professor at Harvard Law School where he teaches bankruptcy and corporate law. The article was so well received it was published by 1. Harvard Law School Forum on Corporate Governance and Financial Regulation. 2. Stanford Law Review. 3. Harvard Law School, Public Law & Legal Theory. 4. European Corporate Governance Institute. The article's abstract[25] (see right) provides a concise overview of the ongoing risk brought about by this new law. Two years after the publication of this paper nothing has changed to alleviate the risk exposure. This means that the possibility of a big bank failure and consequently the initiation of a Bail-In and the confiscation of your funds are more probable than ever.		"The Derivatives Market's Payment Priorities as Financial Crisis Accelerator," March 6, 2011 - Abstract Chapter 11 bars bankrupt debtors from immediately repaying their creditors, so that the bankrupt firm can reorganize without creditors shredding the bankrupt's business. Not so for the bankrupt's derivatives counterparties, who unlike most creditors, even most other secured creditors, can seize and immediately liquidate collateral, net out gains and losses, terminate their contracts with the bankrupt, and keep both preferential eve-of-bankruptcy payments and fraudulent conveyances they obtained from the debtor in ways that favor them over other creditors. Their right to jump to the head of the bankruptcy re-payment line, in ways that even ordinary secured creditors cannot, weakens their incentives for market discipline in managing their credits to the debtor; it reduces their concern for the risk of counterparty failure and bankruptcy, since they do well in any resulting bankruptcy. If they were made to account better for counterparty risk, they would be more likely to insist that there be stronger counterparties than otherwise on the other side of their derivatives bets, thereby insisting for their own good on strengthening the financial system. True, because they bear less risk, nonprioritized creditors bear more and thus have more incentive to monitor the debtor or to assure themselves that the debtor is a safe bet. But the repo and derivatives market's other creditors - such as the United States of America - are poorly positioned contractually either to consistently monitor the derivatives debtors' well or to fully replicate the needed market discipline. Bankruptcy policy should harness private incentives for counterparty market discipline by cutting back the extensive de facto priorities for these investment channels now embedded in chapter 11 and related laws. More generally, when we subsidize derivatives and repos activity via bankruptcy benefits not open to other creditors, we get more of the activity than we otherwise would. Repeal would induce the derivatives market to better recognize the risks of counterparty financial failure, which in turn should dampen the possibility of another AIG/Bear/Lehman financial meltdown, thereby helping to maintain financial stability. Re-peal would lift the de facto bankruptcy subsidy.	

[24] Proof positive, says former regulator Bill Black that the Fed is working for the banks and not for us. "Any competent regulator would have said: 'No, Hell NO!'" http://dailybail.com/home/william-black-not-with-a-bang-but-a-whimper-bank-of-americas.html

[25] A copy of the document can be obtained from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1567075## or my website at http://www.randylangel.com/downloads.html

- Remember that the FDIC can only insure your deposits if it has the money to pay you. Once you realize the amount of deposits in the big banks and the relative pittance in the FDIC coffers, you will understand that Too Big To Fail banks are classified that way because a failure of any one of these institutions will bankrupt the FDIC fund. AND if the fund has no more money and the laws are not changed regarding repaying depositors in a bank failure, then the federal government has to make up the difference. This then becomes another version of a taxpayer Bail-Out of a big bank. (note: I said, "if the laws are not changed regarding repaying depositors," but this has in fact happened with the new Bail-In policies of the FDIC – see below)
- The infographic[26] on the right pictorially shows how the $25 billion FDIC Insurance Fund stacks up to the $9,294 Billion size of deposits at US banks[27]. This means the fund has only 27 cents of insurance for every $100 of deposits.
- The infographic also shows that given there is only $1,102 billion in total US currency in circulation; there aren't physically enough dollars to go around anyway.



[26] The complete infographic is at http://demonocracy.info/infographics/usa/fdic/fdic.html this website is dedicated to pictorially envisioning the huge amount of money being spent by the US.

[27] Third quarter 2012 data taken from H.8 report of the Federal Reserve. The report for August 2, 2013 is at http://www.federalreserve.gov/releases/h8/20130802/

May 2012	Spain's 4th largest bank, Bankia, declares bankruptcy	• Spain's bank reorganization agency, on explicit instructions from the Troika (IMF, European Central Bank, and the EU Commission), imposed a "haircut" (write-down) of 38% on the Bankia "prefered shares," followed by their forced conversion into common stock in Bankia. The victims were promised a per-share value of 1.35 euros, once the market was allowed to resume trading in Bankia stock.	• Over the previous few years, about one million depositors in Spain's major banks (400,000 of them in Bankia) were fraudulently tricked by the bankers into purchasing the bank's "preferred shares"with promises of very high rates of return. Marketed as fixed-term deposits, the reality of the "preferred shares" is that they were bonds that either could never be cashed in, or carried terms as long as 1,000 years. • See May 2013 entry for Bankia further down the paper.	•
Aug 2012	Legal precedent established for the super-priority status of derivative contract holders over depositors[28].	• A US federal appeals court upholds a ruling putting Bank of New York Mellon ahead of former customers of Sentinel Management Group in the line of those seeking the return of money lost in company's 2007 failure.	• The appeals court affirmed an earlier district court ruling that the bank had a "secured position" on a $312 million loan it gave to Sentinel, which turned out to have been secured by customer money at MF Global. • The ruling indicates that brokerages can use customer funds to pay off creditors.	• The ruling indicates that a brokerage company allowing customer money to be mixed with its own is not necessarily committing fraud. • The establishment of this legal precedence makes it virtually impossible for a person to sue a bank that has confiscated their money in a bail-in.
Nov 2012	Financial Stability Board (FSB) releases the document, *Recovery and Resolution Planning: Making the Key Attributes Requirements Operational*[29]	Countries must develop a plan that; 1. Reduces the potential for bank failure 2. Promotes resolvability of failure 3. Creates a resolution process 4. Follows the *Key Attributes* The document provides guidance to country regulators and resolution authorities in the areas of; 1. Recovery triggers & stress scenarios 2. Resolution strategies & operational resolution plans 3. Identification of critical functions & critical shared services	• With this guidance each country is to formulate plans and submit them to the FSB for review and comparison with other country's plans. • A new phrase is created called Global Systemically Important Financial Institutions, G-SIFIs (this means big banks). • The document specifically states, "Banking groups that are G-SIFIs are therefore the main focus of this consultative document."	• Big Banks are being given preferential treatment.

[28] http://www.reuters.com/article/2012/08/10/us-sentinel-appeals-decision-idUSBRE87900T20120810

[29] A copy of the document can be obtained from http://www.financialstabilityboard.org/publications/r_121102.pdf or my website at http://www.randylangel.com/downloads.html

Dec 2012	FDIC & Bank of England jointly publish, *Resolving Globally Active, Systemically Important, Financial Institutions*[30].	• This document provides the legal framework for seizing deposit accounts in failed banks and converting them to stock in the reconstituted bank in order to preserve the soundness of the bank[31]. • Following the guidelines set out by the FSB's *Recovery and Resolution Planning: Making the Key Attributes Requirements Operational*, document (see directly above), the two countries develop a resolution strategy for future bank failures involving G-SIFIs (big banks). • "*The unsecured debt holders can expect that their claims would be written down to reflect any losses that shareholders cannot cover, with some converted partly into equity in order to provide sufficient capital to return the sound businesses of the G-SIFI to private sector operation*." Page ii. • "An efficient path for returning the sound operations of the G-SIFI to the private sector would be provided by exchanging or converting a sufficient amount of the unsecured debt from the original creditors of the failed company into equity. In the U.S., the new equity would become capital in one or more newly formed operating entities…or the equity could be used to recapitalize the failing financial company itself—thus, the highest layer of surviving bailed-in creditors would become the owners of the resolved firm" Paragraph 13, page 3.	• At first blush, the statement that the resolution process will not involve public funds sounds good but further down the document we discover that the bank's customers will be taking the hit to their own accounts. • A person depositing money in a bank is an unsecured creditor of the bank. That means this new Bail-In procedure applies to the deposits of you and me. The big banks can now confiscate our money and its perfectly legal. In a process called "overnight sweeps" depositors could have their savings shaved by the amount needed to keep the bank afloat. • One day you go into your big bank and ask for a withdrawal. Instead of cash they give you a share of stock in new company, formed the night before and capitalized with your money. It will be your responsibility to get that share of stock converted to cash. Of course, since the new company was formed from the failed bank in the first place, it may be difficult to sell it, much less get remuneration equal to the cash you lost when the bank absconded with your money. • Since your account has been converted to equity (stock) from cash, the FDIC is no longer responsible for the deposits. Why? Because the FDIC only insures cash accounts not equity accounts. Cute trick.	• US banks are not legally required to give you cash whenever you request a withdrawal[32]. As soon as you deposit money the funds become the bank's property and you become an unsecured creditor holding an IOU from the financial institution. • A "Bail-In" is a quantum leap beyond a "Bail-out." When governments are no longer willing to use taxpayer money to bail out banks that have gambled away their capital, the banks are now being instructed to "recapitalize" themselves by confiscating the funds of their creditors, turning debt into equity, or stock; and the "creditors" include the depositors who put their money in the bank thinking it was a secure place to store their savings. • The big banks are the only banks that have this capability since they deal with derivatives and in so doing are given super priority status to reclaim assets of a failing institution. • You can't really blame the FDIC because they were forced into action when BofA and JP Morgan Chase moved their trillions of derivatives into their depository arms where the FDIC is supposed to guarantee the deposits. There is no way the government could make up the money lost if one of those giants failed. • The FDIC was set up to ensure the safety of deposits. Now, it seems, its function will be the confiscation of deposits to save Wall Street.

[30] A copy of the document can be obtained from http://www.fdic.gov/about/srac/2012/gsifi.pdf or my website at http://www.randylangel.com/downloads.html

[31] http://dcpublicbanking.org/multimedia-archive/legal-framework-for-big-banks-puts-depositors-at-risk/

[32] In most legal systems, funds deposited are no longer the property of the customer. The funds become the property of the bank, and the customer in turn receives an asset called a deposit account (a checking or savings account). That deposit account is a *liability* of the bank on the bank's books and on its balance sheet. Because the bank is authorized by law to make loans up to a multiple of its reserves, the bank's reserves on hand to satisfy payment of deposit liabilities amounts to only a fraction of the total which the bank is obligated to pay in satisfaction of its demand deposits. The bank gets the money. The depositor becomes only a creditor with an IOU. The bank is not required to keep the deposits available for withdrawal but can lend them out, keeping only a "fraction" on reserve, following accepted fractional reserve banking principles. When too many creditors come for their money at once, the result can be a run on the banks and bank failure.

Mar 2013	**Bail-In Occurs** Cypress is the first nation to experience this new policy of Bail-In & confiscate depositor funds		The confiscation of depositor funds in Cypress was not only approved but mandated by the European Union, along with the European Central Bank and the International Monetary Fund**.** They told the Cypriots that deposits below €100,000 in two major bankrupt banks would be subject to a 6.75% levy or "haircut," while those over €100,000 would be hit with a 9.99% "fine**.**" When the Cyprus national legislature overwhelming rejected the levy, the insured deposits under €100,000 were spared; but it was at the expense of the uninsured deposits, which took a much larger hit, estimated at about 60 percent of the deposited funds[33]	
Mar 2013	US Comptroller of the Currency office issues quarterly report on derivatives holdings[34].	Total Notional Derivatives[35] US Exposure • JP Morgan Chase ----------- $70.3 Trillion • Citibank------------------------ $58.4 Trillion • Bank of America------------- $44.5 Trillion • Goldman Sachs-------------- $42.2 Trillion • Total US banks--------------- $232 Trillion • The 4 largest US banks hold 93% of the total derivatives contracts in the US.	Total Risk Based Capital • JP Morgan Chase ----------- $153 Billion • Citibank------------------------ $139 Billion • Bank of America------------- $141 Billion • Goldman Sachs-------------- $22 Billion • The numbers above are supposedly the amount of capital at risk in derivatives. The problem is with the accuracy of these amounts since they are calculated by the banks themselves and do not disclose how they arrived at these estimates. • A recent survey by Barclays Capital[36] found that more than half of institutional investors did not trust how banks measure the riskiness of their assets. When hedge-fund managers were asked how trustworthy they find "risk weightings"—the numbers that banks use to calculate how much capital they should set aside as a safety cushion in case of a business downturn—about 60 percent of those managers answered 1 or 2 on a five-point	• In the January/February 2013 issue of The Atlantic an article titled, "What's Inside America's Banks,[37]" by Jesse Eisinger and Frank Partnoy goes a long way in explaining why investors are so skeptical about bank stocks. The pair go through the annual report of Wells Fargo to try to see if even a very careful and close read can produce anything intelligible about the risks the bank is taking, how it is valuing its assets, and even what its assets and liabilities really are. What they discover is that this cannot be done. Banks are black boxes. The public disclosures are nearly useless, collections of overlawyered jargon that obscure more than they reveal. Even when Eisinger and Partnoy attempt to make very detailed inquiries into questions raised by the annual report, they are stonewalled by Wells Fargo. • No one, not even professional investors or bank personnel themselves know how much money is actually at risk in derivatives. If they don't know then a derivatives meltdown can happen at any time. • To put the notional derivatives exposure into perspective let's compare it to secured deposits. On 12/31/12 the FDIC

33 http://www.forbes.com/sites/timworstall/2013/03/31/theres-something-very-strange-about-the-cyprus-bank-haircut-very-strange-indeed/

34 "OCC's Quarterly Report on Bank Trading and Derivatives Activities First Quarter 2013," Office of the Comptroller of the Currency, Table 4. This document can be obtained at http://www.occ.gov/topics/capital-markets/financial-markets/trading/derivatives/derivatives-quarterly-report.html or my website at http://www.randylangel.com/downloads.html

35 A derivative is a financial instrument whose value depends on something else—a share of stock, an interest rate, a foreign currency, or a barrel of oil, for example. One kind of derivative might be a contract that allows you to buy oil at a given price six months from now. But since we don't yet know how the price of oil will change, the value of that contract can be very hard to estimate. (In contrast, it's relatively easy to add together the value of every share being traded on the stock market.) As a result, financial experts have to make an educated guess about the total amount at stake in all these contracts. One method simply adds up the value of the assets the derivatives are based on. In other words, if my contract allows me to buy 50 barrels of oil and the current price is $100, its "notional value" is said to be $5,000—since that's the value of the assets from which my contract derives.

36 http://www.theatlantic.com/magazine/archive/2013/01/whats-inside-americas-banks/309196/?single_page=true

37 Ibid.

			scale, with 1 being "not trustworthy at all." None of them gave banks a 5. • Consider JPMorgan's widely scrutinized trading loss in 2012. Before the episode, investors considered JPMorgan one of the safest and best-managed corporations in America. But then, in May, JPMorgan announced the financial equivalent of sudden cardiac arrest: a stunning loss initially estimated at $2 billion and later revised to $6 billion. It may yet grow larger as investigators are still struggling to comprehend the bank's condition.	had $33 Billion in the depositor insurance fund and a reserve ratio of .45%[38]. This equates to FDIC insured deposits of $7.3 Trillion. Comparing these two assets we find there are 32 times more notional derivatives ($232 Trillion) than there are total deposits ($7.3 Trillion) while the ratio of gross derivatives to deposit insurance is a disconcerting 7,030-to-1. • Another way of looking at notional derivatives exposure is that the total US economy generates $15.5 Trillion in Gross National Product per year. That equates to 14 years worth of GNP tied up in notional derivatives exposure, with the four main US banks soaking up over 13 years worth of the total. • http://www.forbes.com/sites/halahtouryalai/2013/03/28/risk-is-back-americas-big-banks-are-knee-deep-in-derivatives/

[38] FDIC memo, "Update of Projected Deposit Insurance Fund Losses, Income, and Reserve Ratios for the Restoration Plan," March 28, 2013. This document can be obtained from http://www.fdic.gov/deposit/insurance/memo_2013_03_28.pdf or my website at http://www.randylangel.com/downloads.html

	• This infographic shows what $300 Trillion dollars of notional value the derivatives exposure would look like when compared to big bank assets and currency in circulation. The first infographic, a few pages above, gave some scale to the $25 Billion FDIC insurance fund in proportion to the $9294 Billion of deposits at commercial banks. That infographic is present in this one too, it just so small that it's difficult to discern. • At http://demonocracy.info/infographics/usa/derivatives/bank_exposure.html there is another infographic that compares the derivatives exposure for each big bank and summarizes them in a different way.			
May 2013	Bank for International Settlements issues report, "Statistical release: OTC derivatives statistics at year	• Page 3, Worldwide "OTC[39] derivatives notional amounts outstanding totaled $633 Trillion[40] at end-December 2012…"	• Page3, "The gross market value of all contracts, i.e. the cost of replacing the contracts at current market prices, equaled $24.7 Trillion at end-2012." This is also called Mark-to-Market value.	• Report can be obtained from BIS site: http://www.bis.org/publ/otc_hy1305.pdf • It can also be obtained from my site at: http://www.randylangel.com/downloads.html • Detailed statistics are available at: http://www.bis.org/statistics/derdetailed.htm

[39] Over the counter (OTC) derivatives refer to contracts that are negotiated between two parties rather than through an exchange.

[40] A derivative is a financial instrument whose value depends on something else—a share of stock, an interest rate, a foreign currency, or a barrel of oil, for example. One kind of derivative might be a contract that allows you to buy oil at a given price six months from now. But since we don't yet know how the price of oil will change, the value of that contract can be very hard to estimate. (In contrast, it's relatively easy to add together the value of every share being traded on the stock market.) As a result, financial experts have to make an educated guess about the total amount at stake in all these contracts. One method simply adds up the value of the assets the derivatives are based on. In other words, if my contract allows me to buy 50 barrels of oil and the current price is $100, its "notional value" is said to be $5,000—since that's the value of the assets from which my contract derives. If you make that same calculation for every derivative and add those numbers together at the end of 2012, you get something around $633 trillion—the "notional value" of the world's over-the-counter derivatives ("over the counter" derivatives refer to contracts that are negotiated between two parties rather than through an exchange), according to the Bank of International Settlements, "Statistical release: OTC derivatives statistics at year end-December 2012" page 3.

	end-December 2012			
May 2013	**Bail-In Occurs** Spain's Bankia bank is allowed to begin trading it's shares again, one(1) year after the bankruptcy declaration.	• On May 21, 2013, trading in Bankia stock was finally permitted—but only for large institutional investors, who were allowed to take their money and run. • Small savers, who held about 5 billion of the total 6.85 billion euros in holdings, had to wait another week. Then on May 28, when trading for them was permitted, the share price plummeted from 1.35 to 0.57 euros.[41]	• Losses came to 75-90% of their original deposits.	•
Sept 2013	**Bail-In Occurs** Italy's oldest bank Monte Paschi	• It halted all coupon payments on Tier 1 bondholders, effectively bailing-in $650 million in bondholder's notes to recapitalize the bank.[42]	•	•
Dec 2013	European Parliament reaches agreement on bank bail-in directive.[43]	• Parliament and Council Presidency negotiators reach a political agreement on the draft bank recovery and resolution directive, the first step towards setting up an EU system to deal with struggling banks	• The directive establishes a bail-in system which will ensure that taxpayers will be last in the line to the pay the bills of a struggling bank. In a bail-in, creditors, according to a pre-defined hierarchy, forfeit some or all of their holdings to keep the bank alive. The bail-in system will apply from 1 January 2016. • The bail-in tool set out in the directive would require shareholders and bond holders to take the first big hits. Unsecured depositors (over €100,000) would be affected last. • Supposedly smaller depositors (less than €100,000) would be excluded from any bail-in.	• The EU has been much more transparent in their bail-in plans that the US.

[41] http://www.forbes.com/sites/afontevecchia/2013/05/28/spains-bankia-decimates-savers-as-stock-plummets-police-officer-stabs-banker-who-sold-him-shares/
[42] http://www.reuters.com/article/2013/12/10/us-italy-banks-minister-idUSBRE9B90K420131210
[43] http://www.europarl.europa.eu/news/en/news-room/content/20131212IPR30702/html/Deal-reached-on-bank-%E2%80%9Cbail-in-directive%E2%80%9D

June 2014	**Bail-In Occurs** Bulgarian Central Bank seizes control of the Corporate Commercial Bank	• Corporate Commercial Bank is Bulgaria's 4th largest bank. • Bank operations are shutdown and depositors are blocked from taking out their money.	• Deposits have been frozen even though Bulgarian law provides for a deposit guarantee of up to 100,000 Euros. • The central bank and the finance ministry have sent a letter to the European Commission explaining that they had no legal means to resume payments of guaranteed deposits until possibly after the Oct. 5 elections.[44]	•
June 2014	Big Banks hit with $250 Billion lawsuit from the housing crisis.	• Suit brought by Blackrock, the world's largest asset manager and PIMCO, the world's largest bond-fund manager. • The banks sued are; Deutsche Bank AG, U.S. Bank, Wells Fargo, Citigroup, HSBC Holdings PLC, and Bank of New York Mellon Corp. • The suit is for breach of fiduciary duty as trustees of their investment funds.	• For years, homeowners have been battling Wall Street in an attempt to recover some portion of their massive losses from the housing Ponzi scheme. But progress has been slow, as they have been outgunned and out-spent by the banking titans. • In June, however, the banks may have met their match, as some equally powerful titans strode onto the stage; Blackrock, the world's largest asset manager and PIMCO, the world's largest bond-fund manager.	• Will the BlackRock/PIMCO suit will not help homeowners directly. But it will get some big guns on the scene, with the ability to do all sorts of discovery, and the staff to deal with the results. • Fraud is grounds for rescission, restitution and punitive damages. The homeowners may not have been parties to the pooling and servicing agreements governing the investor trusts, but if the whole business model is proven to be fraudulent, they could still make a case for damages. • In the end, however, it may be the titans themselves who take each other down.
July 2014	**Bail-In Occurs** The Austrian government passes legislation for a bail-in of Hypo Alpe Adria bank (HAA), of about EUR 900 million.	•	• The Austrian government's legislation goes even further than the European standard for bail-in as it does not exempt from the bail-in the first [Euro] 100,000 on accounts.[45] • Previously, the Austrian province of Carinthia had guaranteed the bank deposits, but the new legislation declares that the state guarantee to protect depositor assets up to EUR 100,000 to be invalid retroactively.	• ***This is a very, very bad situation for people depositing money in big banks. Bail-in bank resolution plans have supposedly guaranteed the insured deposits of individuals (in the US it is $250,000) but now we have a national government invalidating the rules and not only taking working people's savings but also making it retroactive!*** • Regular depositor's money is now being taken to make up for the misdeeds of a bank. If it happened in one place, it can happen in another simply by the stroke of a legislature's pen.
Aug 2014	**Bail-In Occurs** Portugal's Banco Espirito Santo shut down and Bail-in is part of the resolution.	• While the Portuguese government will provide most of the money for the rescue in the form of a loan, the heaviest losses will be absorbed by Banco Espírito Santo shareholders and some creditors. The plan will serve as an early test of new European rules intended to make sure that investors, and not just taxpayers, most directly deal with the fallout when banks fail.[46]	•	•

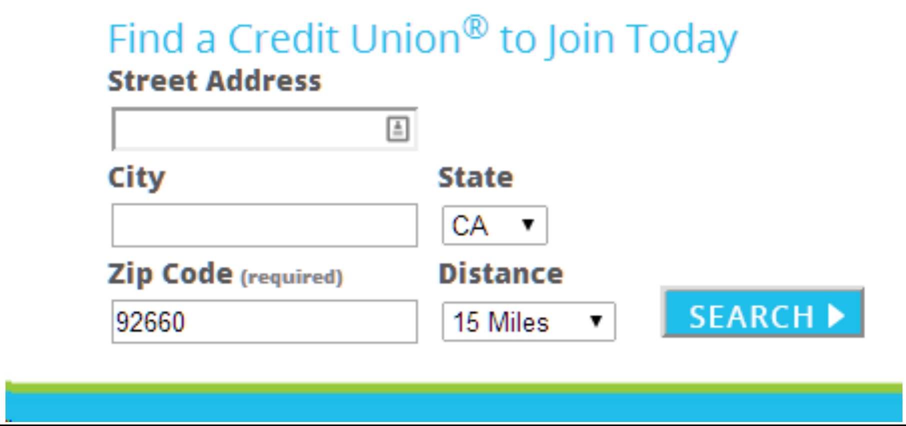
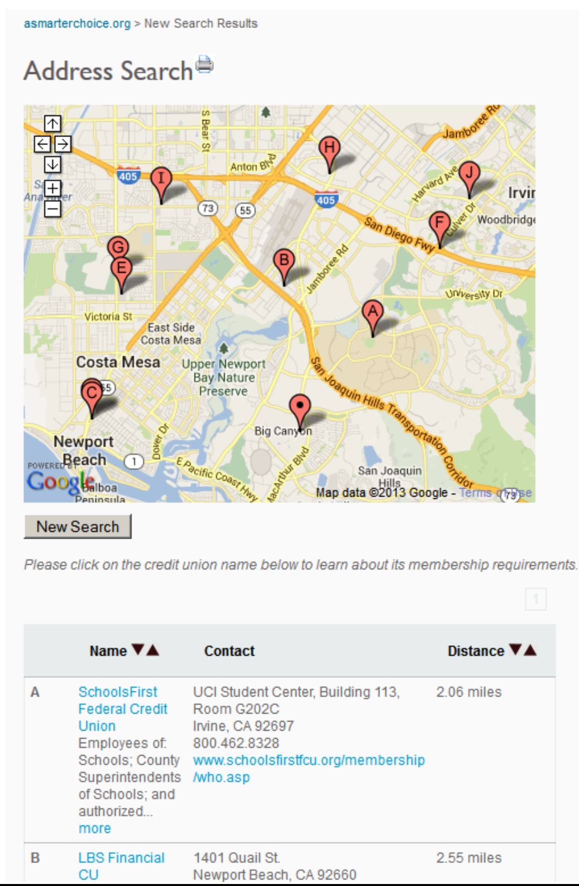
[44] http://www.reuters.com/article/2014/08/11/bulgaria-banking-corpbank-idUSL6N0QH3MG20140811
[45] http://beforeitsnews.com/economy/2014/07/austria-bail-in-invalidates-state-guarantee-2643694.html
[46] http://www.nytimes.com/2014/08/04/business/international/banco-espirito-santo-of-portugal-appears-headed-for-a-bailout.html?_r=0

Sept 3, 2014	The Federal Reserve, the FDIC and the Office of the Comptroller of the Currency, change the liquidity requirements for the nation's largest banks by eliminating Municipal bonds from the list of high-quality liquid collateral.[47]	• The Federal regulators adopted a new rule that requires the country's largest banks – those with $250 billion or more in total assets – to hold an increased level of newly defined "high quality liquid assets" (HQLA) in order to meet a potential run on the bank during a credit crisis.	• In addition to U.S. Treasury securities and other instruments backed by the full faith and credit of the U.S. government, the regulators have included some dubious instruments while shunning others with a higher safety profile. • Bizarrely, the Fed and its regulatory siblings included investment grade corporate bonds, the majority of which do not trade on an exchange, and more stunningly, stocks in the Russell 1000, as meeting the definition of high quality liquid assets, while excluding all municipal bonds. • Making the Fed's position even more untenable is the fact that the Basel III Revised Liquidity Framework, the global standard that the new rule seeks to address, does not envision gutting municipal bonds from the mix of suitable liquid assets. • The biggest hurdle for the Fed's position is that municipal bonds are readily eligible for loans at the Fed's discount window – trumping any argument that they could not command liquidity in a crisis	• The five largest Wall Street banks control the majority of deposits in the country. By disqualifying municipal bonds from the category of liquid assets, the biggest banks are likely to trim back their holdings in munis which could raise the cost or limit the ability for states, counties, cities and school districts to issue muni bonds to build schools, roads, bridges and other infrastructure needs. • The rule change may not have much effect in a crash, but where it will have a major effect is on the cost of credit, which will increase for municipal governments and decrease for corporate and financial institutions. The result will be to further shift power and financial resources from the public sector to the private sector. • Why would regulators dangerously jeopardize state and local government budgets in this way? Speculation is the intent is to Detroit-ize municipal governments, so that assets can be stripped. The international bankers got away with asset-stripping Greece. Why not make the US itself a wholly-owned subsidiary of private banking interests? • In the US, there is already a trend to force state and municipal governments into austerity measures, if not outright bankruptcy, in order to eliminate labor unions, pension obligations and social services.

[47] http://wallstreetonparade.com/2014/09/the-fed-just-imposed-financial-austerity-on-the-states/

Alternatives to Big Banks - Where to Move Your Money

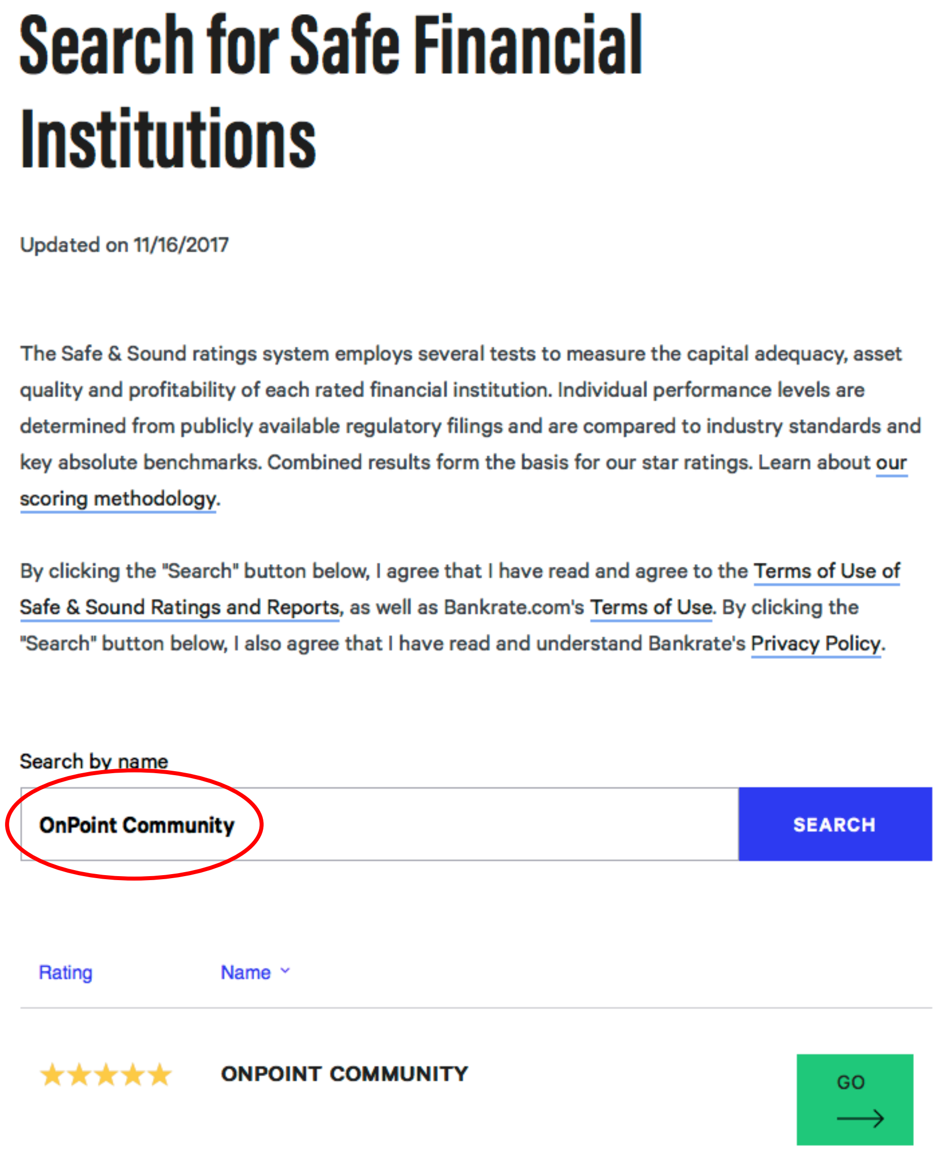
Credit Unions

Finding a Credit Union	***How to locate the Information***
To find a local credit union go to http://www.asmarterchoice.org Key in your zip code, select a distance and press Search.	
The “Search” will yield a screen similar to the following: go to the credit union’s website and see if you are eligible to become a member.	

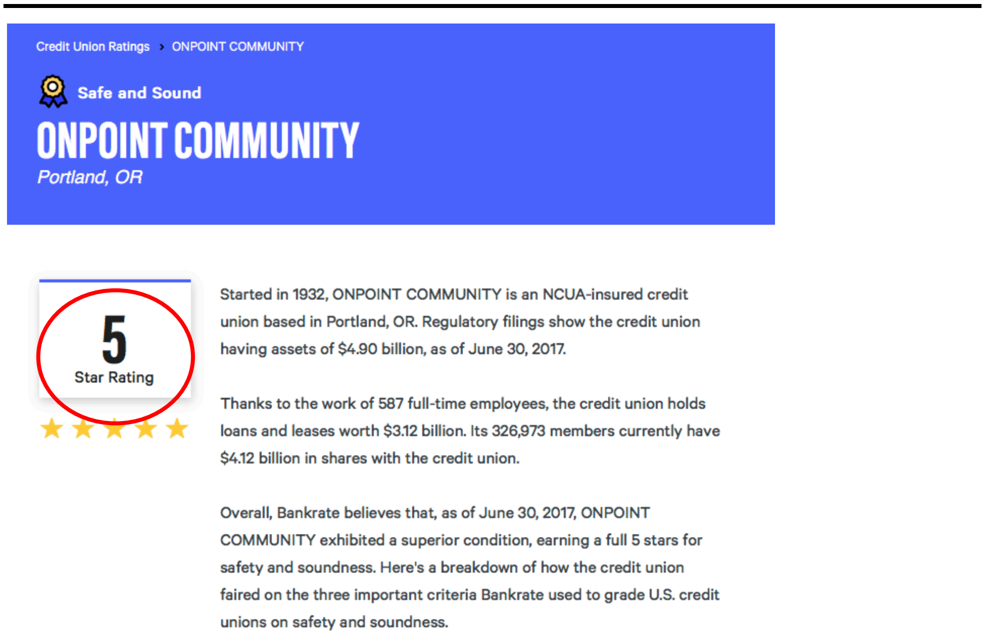
After identifying a credit union where you qualify as a member, go to https://www.bankrate.com/rates/safe-sound/bank-ratings-search.aspx to see how that particular financial institution is rated.

Key in the credit union's name and hit Search.

Select the Credit Union by clicking the Go key.



Stick to 4 or 5-star credit unions if possible. A 3-star institution, while not as desirable, is still far better than a big bank to avoid becoming a victim of a Bail-In.



Page down from the first page of the report and you will see additional financial scores relevant to the selected institution. These include:

1. Capital Score
2. Asset Quality Score
3. Earnings Score

THE INSTITUTION'S SCORE

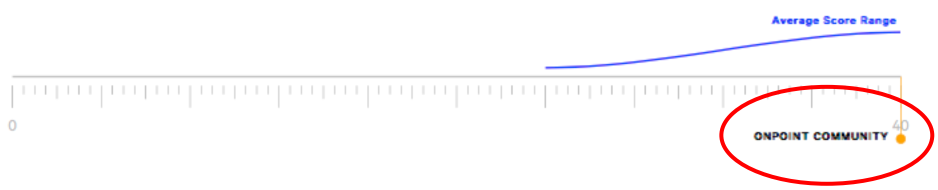
Capital Score

Capital works as a buffer against losses and as protection for members when a credit union is struggling financially. It follows then that when it comes to measuring an an institution's financial stability, capital is crucial. When looking at safety and soundness, more capital is better.

ONPOINT COMMUNITY came in below the national average of 15.26 on our test to measure capital adequacy, racking up 12 out of a possible 30 points.

ONPOINT COMMUNITY's capitalization ratio of 11.00 percent in our test was below the average for all credit unions, a sign that it could be less resilient in a crisis than its peers.

Asset Quality Score



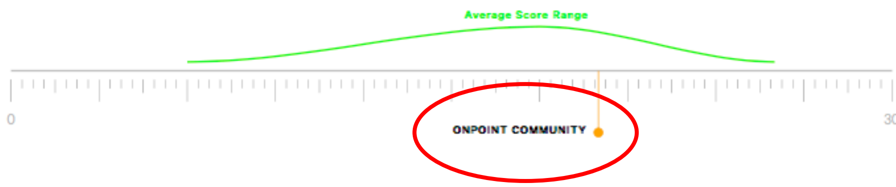
In this test, Bankrate tries to determine the effect of troubled assets, such as unpaid loans, on the credit union's capitalization and allocated loan loss reserves.

Having lots of these types of assets may eventually force a credit union to use capital to absorb losses, decreasing its equity buffer. It also means that there are likely to be many assets that are in non-accrual status and no longer earning interest for the credit union, resulting in diminished earnings and potentially more risk of a future failure.

On Bankrate's test of asset quality, ONPOINT COMMUNITY scored 40 out of a possible 40 points, above the national average of 38.15 points.

A lower-than-average ratio of problem assets of 1.00 percent in our test was potentially indicative of superior financial strength compared to other credit unions.

Earnings score

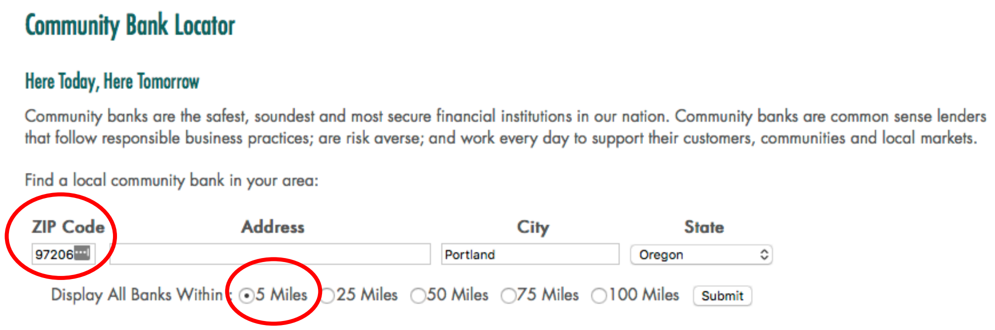
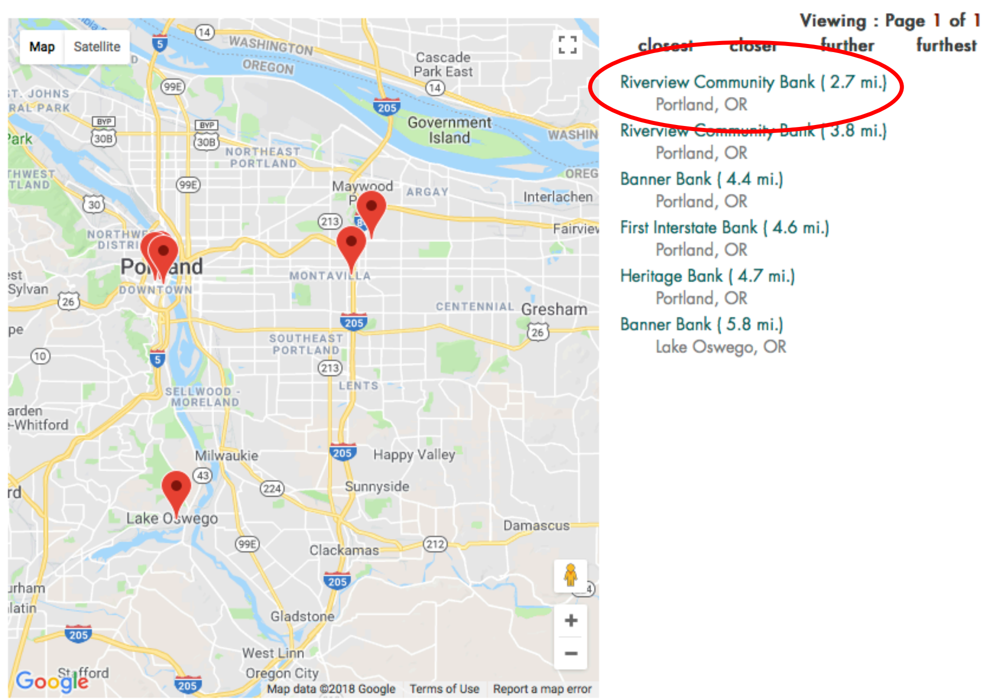


A credit union's profitability has an effect on its safety and soundness. A credit union can retain its earnings, increasing its capital buffer, or use them to deal with problematic loans, likely making the credit union better able to withstand financial trouble. Losses, on the other hand, reduce a credit union's ability to do those things.

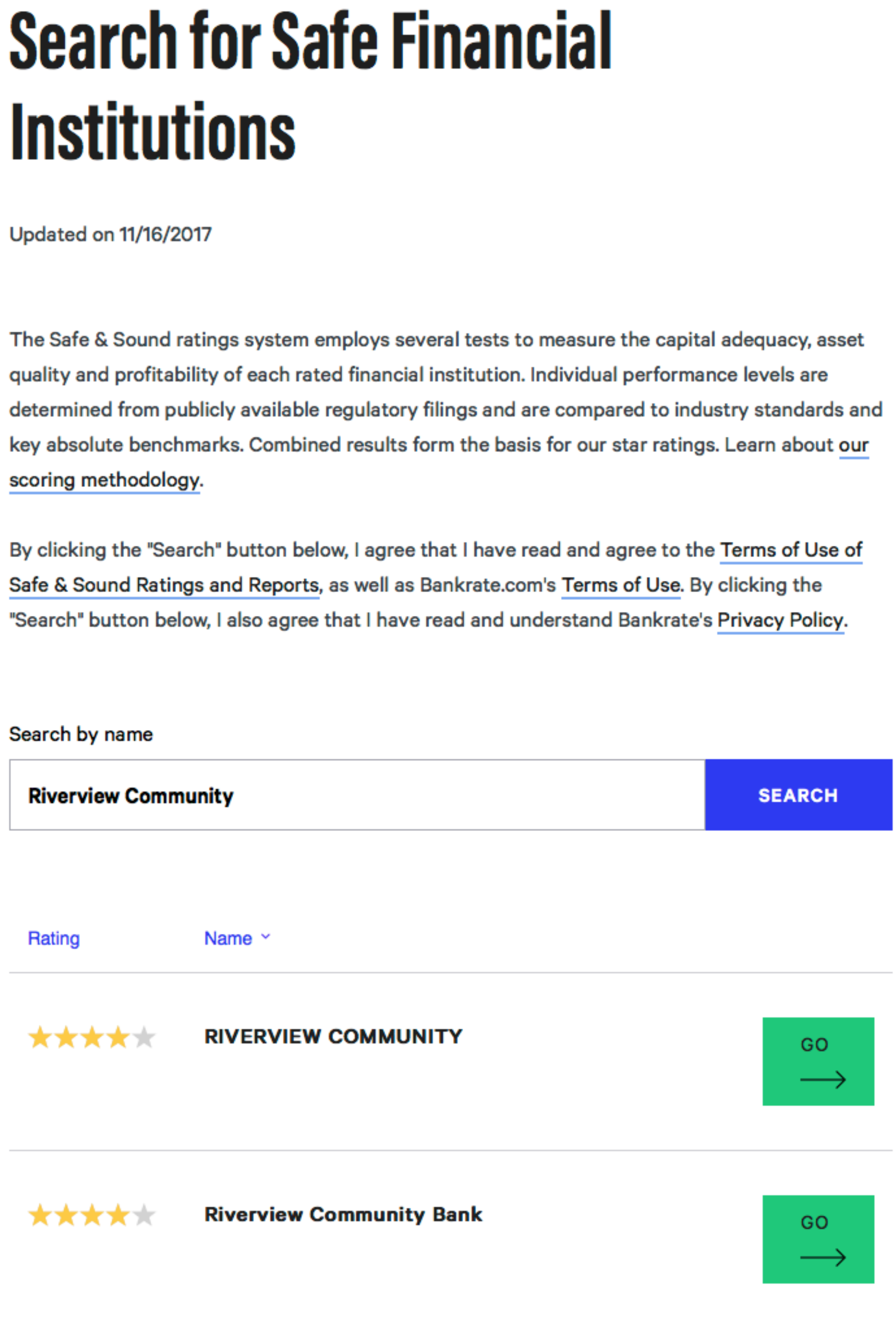
ONPOINT COMMUNITY received above-average marks on Bankrate's earnings test, achieving a score of 20 out of a possible 30.

One sign that the credit union is outperforming its peers in this area was its earnings ratio of 12.00 percent in our test, above the average for all credit unions.

Community Banks

Finding a Community Bank	*How to locate the Information*
To find a community bank go to the locator at http://www.icba.org/go-local/take-part/bank-locator Key in your zip code, select a distance and press Submit.	
The "Submit" will yield a report similar to the one on the right. Print this screen.	

	# Search for Safe Financial Institutions Updated on 11/16/2017
After identifying a possible community bank to deposit your money, go to https://www.bankrate.com/rates/safe-sound/bank-ratings-search.aspx to see how that particular financial institution is rated.	The Safe & Sound ratings system employs several tests to measure the capital adequacy, asset quality and profitability of each rated financial institution. Individual performance levels are determined from publicly available regulatory filings and are compared to industry standards and key absolute benchmarks. Combined results form the basis for our star ratings. Learn about our scoring methodology. By clicking the "Search" button below, I agree that I have read and agree to the Terms of Use of Safe & Sound Ratings and Reports, as well as Bankrate.com's Terms of Use. By clicking the "Search" button below, I also agree that I have read and understand Bankrate's Privacy Policy.
Key in the bank's name and hit Search. Be sure to type only the name and not the word bank.	Search by name **Riverview Community** SEARCH


Search for Safe Financial Institutions

Updated on 11/16/2017

The Safe & Sound ratings system employs several tests to measure the capital adequacy, asset quality and profitability of each rated financial institution. Individual performance levels are determined from publicly available regulatory filings and are compared to industry standards and key absolute benchmarks. Combined results form the basis for our star ratings. Learn about our scoring methodology.

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Search by name

Riverview Community

SEARCH

Rating	Name	
★★★★☆	RIVERVIEW COMMUNITY	GO →
★★★★☆	Riverview Community Bank	GO →

There may be many banks listed. Find the correct one by hitting the Go key and reviewing the information. In this case the first entry is located in Saint Clair, MI and the second is in Vancouver, WA. Since we are looking of a community bank in Portland Oregon, the 2nd entry is the valid one.

Bank Ratings › Riverview Community Bank

Safe and Sound

Riverview Community Bank

Vancouver, WA

Community banks are analyzed differently than credit unions. Only a 4 or 5-star institution should be selected but other things need to be considered.

Riverview Community Bank is a Vancouver, WA-based, FDIC-insured bank started in 1923. The bank has equity of $133.2 million on $1,124,026,000 in assets, according to June 30, 2017, regulatory filings.

U.S. bank customers have $981.0 million on deposit at 19 offices in multiple states run by 254 full-time employees. With that footprint, the bank currently holds loans and leases worth $787.7 million, $703.9 million of which are for real estate.

Overall, Bankrate believes that, as of June 30, 2017, Riverview Community Bank exhibited a good condition, earning 4 out of 5 stars for safety and soundness. Keep reading for a look at how the bank faired on the three key criteria Bankrate used to score American banks.

Page down from the first page of the report and you will see additional financial scores relevant to the selected institution. These include:

1. Capital Score
2. Asset Quality Score
3. Earnings Score

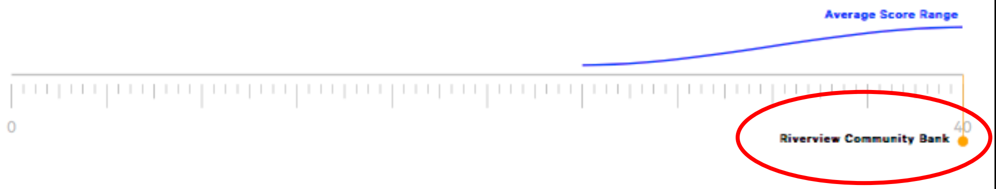
Capital Score

When it comes to measuring an an institution's financial strength, capital is key. It works as a buffer against losses and affords protection for depositors when a bank is experiencing financial trouble. From a safety and soundness perspective, the higher the capital, the better. Riverview Community Bank received a score of 10 out of a possible 30 points on our test to measure capital adequacy, less than the national average of 13.38.

One way to measure this buffer is looking at a bank's Tier 1 capital ratio. Riverview Community Bank's Tier 1 capital ratio was 13.16 percent, higher than the 6 percent level considered adequate by regulators, but below the national average of 25.16 percent. The higher the capital ratio, the better the bank will be able to stand up to financial headwinds.

Overall, Riverview Community Bank held equity amounting to 11.85 percent of its assets, which was lower than the national average of 12.10 percent.

Asset Quality Score



This test is intended to try to understand how the bank's reserves set aside to cover loan losses, as well as overall capitalization could be affected by problem assets, such as unpaid mortgages.

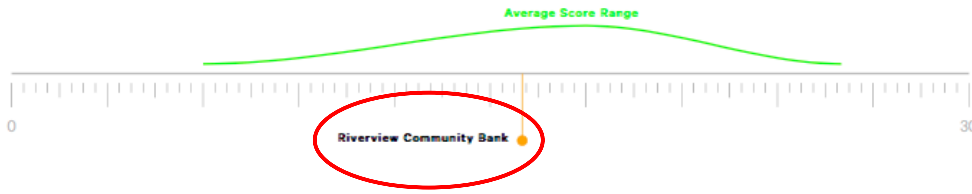
A bank with a large number of these types of assets could eventually be required to use capital to absorb losses, decreasing its cushion of equity. Many of those assets are also likely to be in non-accrual status and thus aren't earning interest for the bank, diminishing earnings and increasing the chances of a failure in the future.

Riverview Community Bank scored above the national average of 37.62 on Bankrate's asset quality test, racking up 40 out of a possible 40 points .

The percentage of problem assets a bank holds compared to its total assets is a widely used indicator of asset quality.As of June 30, 2017, 0.35 percent of Riverview Community Bank's loans were noncurrent -- in other words, they were more than 90 days past due or were in non-accrual status. That's below the national average of 1.04 percent.

Banks keep a reserve known as an "allowance for loan and lease losses" to deal with problem assets . That reserve's size can be a handy indicator when evaluating a bank's ability to manage problem assets, especially when compared to the total amount of problematic loans. Unfortunately, the FDIC did not provide information on Riverview Community Bank's loan loss allowance in its most recent filings.

Earnings score



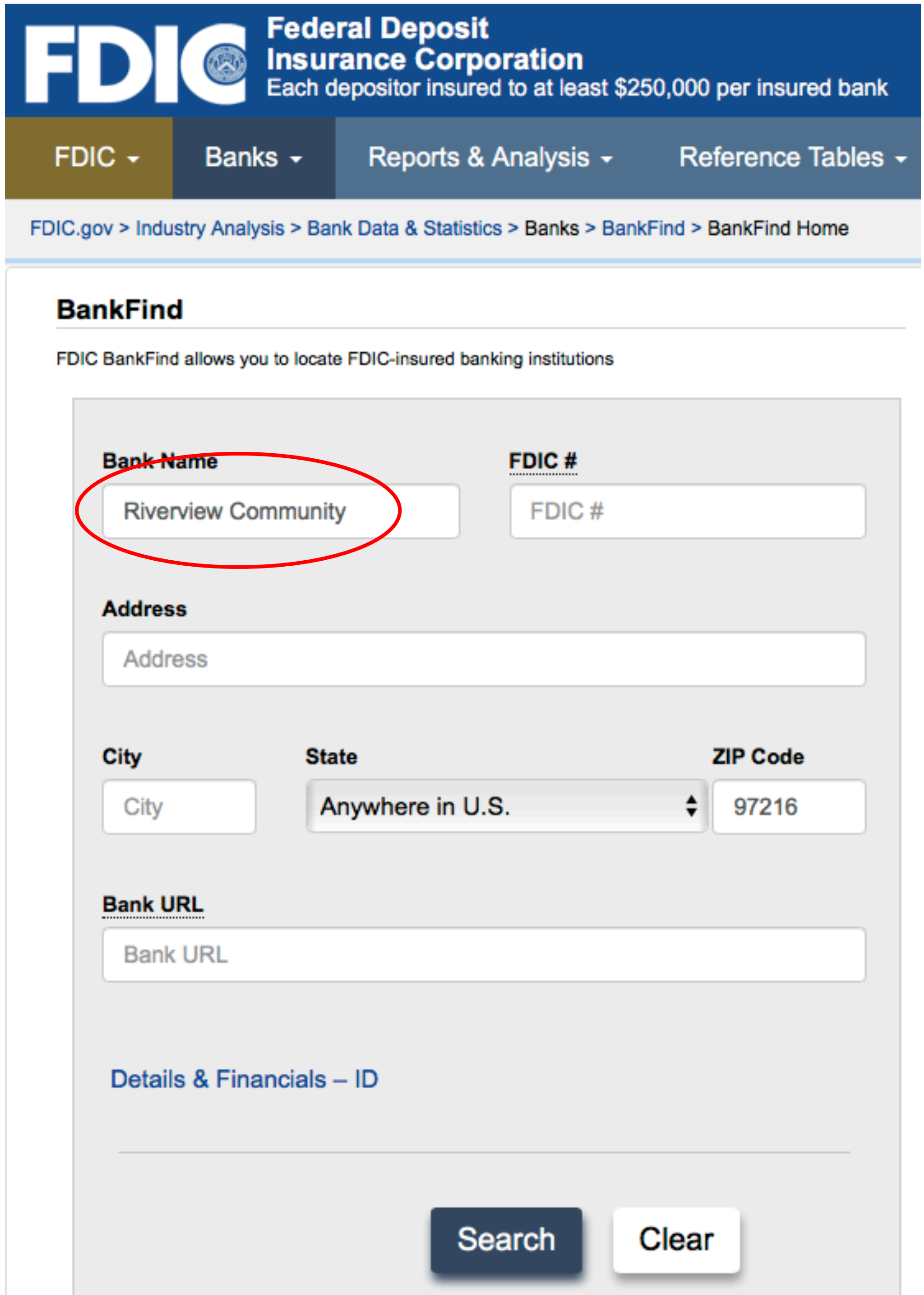
A bank's earnings performance has an effect on its safety and soundness. Earnings can be retained by the bank, boosting its capital buffer, or be used to deal with problematic loans, likely making the bank better prepared to withstand economic trouble. Losses, on the other hand, reduce a bank's ability to do those things.

Riverview Community Bank scored 16 out of a possible 30 on Bankrate's earnings test, less than the national average of 16.52.

Return on equity, calculated by dividing net income (profit, essentially) by total equity, is one important way to measure a bank's earnings. Riverview Community Bank's most recent annualized quarterly return on equity was 7.69 percent, below the national average of 9.28 percent.

For the twelve months ended June 30, 2017, the bank recorded net income of $5.0 million on total equity of $133.2 million. The bank had an annualized return on average assets, or ROA, of 0.93 percent, below the 1 percent deemed satisfactory in accordance with industry standards and below the average for U.S. banks of 1.14 percent.

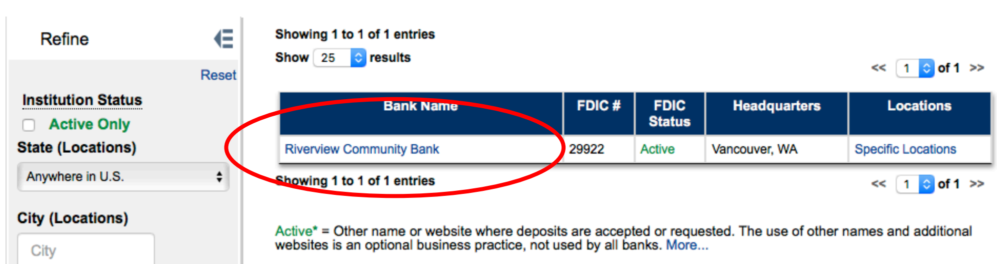
The FDIC website also needs to be searched to scrutinize the derivatives activity at the candidate bank.



Go to https://research.fdic.gov/bankfind/

Key in the bank name & zip code and click "Search"

When the results appear, select the appropriate bank from the list. Occasionally there will be more than one institution listed. If so, check the box "Active Only" to narrow the search.



summary screen will appear.

Riverview Community Bank (FDIC # 29922)

Active Insured Since February 26, 1941

Data as of: April 25, 2018

Riverview Community Bank is an active bank

FDIC Certificate#:	29922	**Established:**	January 1, 1923	**Corporate Website:**	http://www.riverviewbank.com
Headquarters:	900 Washington, Suite 900 Vancouver, WA 98660 Clark County	**Insured:**	February 26, 1941	**Consumer Assistance:**	http://www.helpwithmybank.gov
		Bank Charter Class:	Savings Association	**Contact the FDIC about:**	Riverview Community Bank
		Primary Federal Regulator:	Office of the Comptroller of the Currency		
Locations:	**20** domestic in **2** states, **0** in territories, and **0** in foreign locations	**Secondary Federal Regulator:**	N/A		

Click on the "Financials" Tab ===➔

Locations | History | Identifications | Financials | Other Names / Websites

Click on "… more Financials" which should be just to the right of the phrase "Financial Snapshot." ===➔

Riverview Community Bank

Financial Snapshot: ... more Financials

as of December 31, 2017 Dollar figures in thousands (000's)

Total Assets:	$1,127,535
Total Deposits:	$980,040
Domestic Deposits:	$980,040
Bank Equity Capital:	$135,744
Year-To-Date:	
Net Income:	$9,975
Return on Assets:	0.90%
Return on Equity:	7.52%
Pre-tax Return on Assets:	1.62%
Quarterly:	
Net Income:	$1,726
Return on Assets:	0.61%
Return on Equity:	5.08%
Pre-tax Return on Assets:	1.90%

Click the down arrow of the "ID Report Selections" field.
==================➔

Riverview Community Bank
900 Washington, Suite 900
Vancouver,WA 98660

FDIC Certificate #:	29922	Date Established:	1/1/1923
Bank Charter Class:	Savings Association	Date of Deposit Insurance:	2/26/1941
Primary Federal Regulator:	Office of the Comptroller of the Currency	More Demographic Information	
Primary Internet Web Address:	www.riverviewbank.com	Generate History	

Information Gateway

ID Report Selections: Assets and Liabilities
Report Date: December 31, 2017
Generate Report

More Information

Current List of Offices
Bank Holding Company Ownership and Affiliates not available
Compare to Peer Group(s)
Consumer Assistance from Primary Federal Regulator
FFIEC Call/TFR Report 3/31/2018 Latest Available
Organization Hierarchy from the Federal Reserve System
FFIEC UBPR not available
OCC CRA ratings
FDIC/OTS Summary of Deposits

Press for description

In the drop down box click on the selection, "Assets and Liabilities - % Assets"=====➔

Then click on the "Generate Report" button.

Riverview Community Bank
900 Washington, Suite 900
Vancouver,WA 98660

FDIC Certificate #:	29922	Date Established:	1/1/1923
Bank Charter Class:	Savings Association	Date of Deposit Insurance:	2/26/1941
Primary Federal Regulator:	Office of the Comptroller of the Currency	More Demographic Information	
Primary Internet Web Address:	www.riverviewbank.com	Generate History	

Information Gateway

Demographic Information
Assets and Liabilities
✓ Assets and Liabilities - % Assets
Income and Expense
Income and Expense - % Average Assets
Performance and Condition Ratios
All Summary Information

Report Date: December 31, 2017
Generate Report

More Information

Bank Holding Company Ownership and Affiliates not available
Compare to Peer Group(s)
Consumer Assistance from Primary Federal Regulator
FFIEC Call/TFR Report 3/31/2018 Latest Available
Organization Hierarchy from the Federal Reserve System
FFIEC UBPR not available
OCC CRA ratings
FDIC/OTS Summary of Deposits

Press for description

This will generate a report revealing the bank's financial health.

Banks are required to give these numbers to the FDIC at the end of every quarter.

Riverview Community Bank
900 Washington, Suite 900
Vancouver, WA 98660
FDIC Certificate #: 29922 Bank Charter Class: SA

Definition	Percent of Assets	Riverview Community Bank Vancouver, WA December 31, 2017	Riverview Community Bank Vancouver, WA December 31, 2016
	Assets and Liabilities		
1	**Total assets**	**100.00%**	**100.00%**
2	Cash and due from depository institutions	2.67%	4.02%
3	Interest-bearing balances	0.95%	2.61%
4	Securities	19.95%	21.07%
5	Federal funds sold & reverse repurchase agreements	0	0
6	Net loans & leases	69.78%	66.64%
7	Loan loss allowance	0.96%	1.05%
8	Trading account assets	0	0
9	Bank premises and fixed assets	1.39%	1.42%
10	Other real estate owned	0.03%	0.03%
11	Goodwill and other intangibles	2.54%	2.64%
12	All other assets	3.64%	4.18%
13	**Total liabilities and capital**	100.00%	100.00%
14	**Total liabilities**	**87.96%**	**86.96%**

Page down until you find the entry "Total bank equity capital."
=====================➔

This number should be above 14. If it is less than 14 you shouldn't consider the bank to be a viable candidate for depositing your money.

Looking at assets & liabilities tells only part of the story since derivatives are off-balance sheet items.

This field "Derivatives" should be zero. If the bank has any derivatives involvement i.e., if this field is greater than zero, then exclude the institution from further consideration. ===➔

"Because banks do not report these assets and liabilities (derivatives) in any comprehensible way, regulators and market participants cannot understand the bank's exposure to risk. Instead, the bank's approach to off-balance sheet liabilities has made their financial statements virtually useless."[48]

23	**Total equity capital**	**12.04%**	**13.04%**
24	Total bank equity capital	12.04%	13.04%
25	Perpetual preferred stock	0	0
26	Common stock	0.00%	0.00%
27	Surplus	10.34%	11.84%
28	Undivided profits	1.70%	1.19%
29	Noncontrolling interests in consolidated subsidiaries	0	0
	Memoranda:		
30	Noncurrent loans and leases	0.24%	0.28%
31	Noncurrent loans that are wholly or partially guaranteed by the U.S. government	0	0
32	Income earned, not collected on loans	0.31%	0.29%
33	Earning assets	90.68%	90.32%
34	Long-term assets (5+ years)	51.23%	54.42%
35	Total risk weighted assets	70.44%	71.45%
36	Adjusted average assets for leverage capital purposes	99.09%	96.96%
37	Life insurance assets	2.51%	2.58%
38	General account life insurance assets	2.10%	2.12%
39	Separate account life insurance assets	0	0
40	Hybrid life insurance assets	0.41%	0.46%
41	Volatile liabilities	1.08%	0.80%
42	Insider loans	0.39%	0.46%
43	FHLB advances	0.09%	0
44	Loans and leases held for sale	0.03%	0.17%
45	Unused loan commitments	14.69%	13.64%
46	Tier 1 (core) risk-based capital	9.73%	10.49%
47	Tier 2 risk-based capital	0.88%	0.90%
48	Total unused commitments	14.69%	13.64%
49	Derivatives	0.14%	0.38%

[48] "Bring Transparency to Off-Balance Sheet Accounting," by Frank Partnoy & Lynn Turner, Roosevelt Institute White Paper, March 2010. http://www.rooseveltinstitute.org/policy-and-ideas/ideas-database/bring-transparency-balance-sheet-accounting I highly recommend reading this document as it provides a good explanation, in easy to understand language, how off-balance sheet accounting has allowed banks to literally hide their derivative liabilities. Here are some excerpts;
"Banks use financial engineering to make it appear they are better capitalized and less risky than they really are. Most people and businesses include all of their assets and liabilities on their balance sheets. But large financial institutions do not."
"Individuals and small business owners cannot hide some of their debts merely by relabeling them."
"As a result, banks and corporations that trade swaps (derivatives) do not play by the same rules as other individuals and businesses. Banks are permitted to exclude their full exposure to swaps from their financial statements, and instead report only the "fair value" changes in those swaps over time. Such reporting is like an individual reporting only the change in their debt balances, instead of the debt themselves."
"Simply put, our biggest banks have been hiding their debts."

I have included JP Morgan Chase's FDIC report from the 4th quarter of 2017.

JPMorgan Chase Bank, National Association

Financial Snapshot:

... more Financials

as of December 31, 2017 Dollar figures in thousands (000's)

Total Assets:	$2,140,778,000
Total Deposits:	$1,534,907,000
Domestic Deposits:	$1,271,886,000
Bank Equity Capital:	$211,685,000
Year-To-Date:	
Net Income:	$18,930,000
Return on Assets:	0.89%
Return on Equity:	9.04%
Pre-tax Return on Assets:	1.39%
Quarterly:	
Net Income:	$3,161,000
Return on Assets:	0.59%
Return on Equity:	5.96%
Pre-tax Return on Assets:	1.32%

JPMorgan Chase Bank, National Association

1111 Polaris Parkway
Columbus, OH 43240

FDIC Certificate #: 628 Bank Charter Class: N

	ition	Percent of Assets	JPMorgan Chase Bank, National Association Columbus, OH December 31, 2017	JPMorgan Chase Bank, National Association Columbus, OH December 31, 2016
Assets and Liabilities				
1	Total assets		100.00%	100.00%
2	Cash and due from depository institutions		21.72%	19.83%
3	Interest-bearing balances		20.69%	18.81%
4	Securities		11.54%	13.68%
5	Federal funds sold & reverse repurchase agreements		9.07%	9.85%
6	Net loans & leases		38.20%	37.57%
7	Loan loss allowance		0.47%	0.51%
8	Trading account assets		11.63%	11.77%
9	Bank premises and fixed assets		0.54%	0.55%
10	Other real estate owned		0.02%	0.02%
11	Goodwill and other intangibles		1.57%	1.60%
12	All other assets		5.71%	5.12%
13	Total liabilities and capital		100.00%	100.00%
14	Total liabilities		90.10%	90.14%
15	Total deposits		71.70%	71.07%
16	Interest-bearing deposits		52.39%	50.88%
17	Deposits held in domestic offices		59.41%	59.36%
18	Federal funds purchased & repurchase agreements		4.42%	3.59%
19	Trading liabilities		4.51%	5.35%
20	Other borrowed funds		5.20%	5.89%
21	Subordinated debt		0.01%	0.20%
22	All other liabilities		4.26%	4.04%
23	Total equity capital		9.90%	9.86%
24	Total bank equity capital		9.89%	9.85%
25	Perpetual preferred stock		0	0
26	Common stock		0.08%	0.09%

Notice that their Total bank equity capital is only 9.89% which doesn't clear our bar of 14% for viable institutions.

	Memoranda:	2017	2016
30	Noncurrent loans and leases	0.59%	0.71%
31	Noncurrent loans that are wholly or partially guaranteed by the U.S. government	0.20%	0.26%
32	Income earned, not collected on loans	0.23%	0.21%
33	Earning assets	88.60%	88.63%
34	Long-term assets (5+ years)	20.81%	21.41%
35	Total risk weighted assets	62.40%	60.62%
36	Adjusted average assets for leverage capital purposes	98.84%	100.29%
37	Life insurance assets	0.52%	0.52%
38	General account life insurance assets	0.27%	0.27%
39	Separate account life insurance assets	0.25%	0.25%
40	Hybrid life insurance assets	0	0
41	Volatile liabilities	22.87%	21.47%
42	Insider loans	0.09%	0.07%
43	FHLB advances	2.17%	2.80%
44	Loans and leases held for sale	0.16%	0.13%
45	Unused loan commitments	21.57%	21.58%
46	Tier 1 (core) risk-based capital	8.61%	8.61%
47	Tier 2 risk-based capital	0.54%	0.25%
48	Total unused commitments	21.57%	21.58%
49	Derivatives	2,289.30%	2,305.80%

Notice the Derivatives number of **2,289.30%**

Chase has leveraged derivatives to the tune of 2,289.30% of their total on-balance sheet assets.

JPMorgan Chase Bank, National Association

1111 Polaris Parkway
Columbus,OH 43240

FDIC Certificate #:	628	Date Established:	1/1/1824
Bank Charter Class:	National Bank	Date of Deposit Insurance:	1/1/1934
Primary Federal Regulator:	Office of the Comptroller of the Currency	More Demographic Information	
Secondary Federal Regulator:	The Consumer Financial Protection Bureau		
Primary Internet Web Address:	www.jpmorganchase.com	Generate History	

Information Gateway

ID Report Selections: Assets and Liabilities

Report Date: December 31, 2017

Generate Report

More Information

Current List of Offices	Bank Holding Company Ownership and Affiliates
Compare to Peer Group(s)	Consumer Assistance from Primary Federal Regulator
FFIEC Call/TFR Report 12/31/2017 Latest Available	Organization Hierarchy from the Federal Reserve System
FFIEC Uniform Bank Performance Report (UBPR)	OCC CRA ratings
FDIC/OTS Summary of Deposits	

Press for description

Realizing percentages can be deceptive, let's look at this from a dollar point of view.

In the previous steps we used an ID Report Selection of "Assets and Liabilities - % Assets" but this time we will take the default of "Assets and Liabilities" and generate the report.

In this example we will use December 31, 2017 numbers from the Chase entry.

Find the Total Assets (in dollars) and record it.

JPMorgan Chase Bank, National Association

1111 Polaris Parkway
Columbus, OH 43240

FDIC Certificate #: 628 Bank Charter Class: N

Definition	Dollar figures in thousands	JPMorgan Chase Bank, National Association Columbus, OH December 31, 2017	JPMorgan Chase Bank, National Association Columbus, OH December 31, 2016
	Assets and Liabilities		
1	Total employees (full-time equivalent)	191,929	184,478
2	**Total assets**	**2,140,778,000**	**2,082,803,000**
3	Cash and due from depository institutions	464,923,000	413,066,000
4	Interest-bearing balances	442,980,000	391,840,000
5	Securities	247,038,000	284,932,000
6	Federal funds sold & reverse repurchase agreements	194,223,000	205,104,000
7	Net loans & leases	817,764,000	782,594,000

Further down is the Derivatives number given in dollars, record that also.

50	Tier 1 (core) risk-based capital	184,375,000	179,341,000
51	Tier 2 risk-based capital	11,464,000	5,296,000
52	Total unused commitments	461,698,000	449,546,000
53	Derivatives	49,008,909,000	48,025,225,000

Taking the Derivatives liability of $49,008,909,000,000 (had to add another 000 because the numbers are given in thousands) stated on the off-balance sheet entries for Chase and dividing it by the Total Assets value stated on the on-balance sheet entries for Chase of $2,140,778,000,000 we arrive at the percentage 2,289.30% which squares with the number given in the FDIC percentages report for Chase.

This means that Chase has about $2 trillion in assets but is at risk for $49 trillion in derivatives. Since derivatives are not listed on the balance sheet (they are listed as off-balance sheet items by law) you get a completely deceptive view of Chase's risk profile.

Using the December 31, 2017 FDIC reports for some of the biggest banks we find their total derivatives exposure in notional value to be $168,000,000,000,000.
That's $168 Trillion.

Total Notional Derivatives Exposure of the Biggest US Banks, as stated on their off-balance sheets for the 4th Quarter 2017.

The numbers below are in Trillions of US Dollars.

- JP Morgan Chase ----------- $49.0 -- or 2,289% of assets
- Citibank----------------------- $46.7 -- or 3,346% of assets
- Goldman Sachs------------- $41.4 – or 25,133% of assets
- Bank of America------------ $18.4 – or 1,051% of assets
- Wells Fargo-------------------$7.5 – or 428% of assets
- HSBC Bank USA--------------$4.8 – or 2,653% of assets
- Bank of New York Mellon---$1.1 – or 366% of assets
- Total ----------------------------$168 Trillion

The world's total annual GDP is $70 Trillion[50]!

<u>Notional Value</u>
A derivative is a financial instrument whose value depends on something else—a share of stock, an interest rate, a foreign currency, or a barrel of oil, for example. One kind of derivative might be a contract that allows you to buy oil at a given price six months from now. But since we don't yet know how the price of oil will change, the value of that contract can be very hard to estimate. (In contrast, it's relatively easy to add together the value of every share being traded on the stock market.) As a result, financial experts have to make an educated guess about the total amount

[50] http://dcpublicbanking.org/multimedia-archive/legal-framework-for-big-banks-puts-depositors-at-risk/

at stake in all these contracts. One method simply adds up the value of the assets the derivatives are based on. In other words, if my contract allows me to buy 50 barrels of oil and the current price is $100, its "notional value" is said to be $5,000—since that's the value of the assets from which my contract derives.	
Chase and all other big banks are using "financial engineering to make it appear they are better capitalized and less risky than they really are. Most people and businesses include all of their assets and liabilities on their balance sheets. But large financial institutions do not.[49]" This is part of the reason why we had a market tank in 2007-2009 and major bank failures.	How big banks account for these derivatives on their balance sheet is also deceiving. For example, I lease a computer from company A. Because I don't own the computer I can take the rent expense (for the lease) as a deduction on the books. However, I don't have to account for the asset or the debt so it's not on the balance sheet. This is attractive because it creates no debt on the company's books. The lessor (company A) maintains the asset on their books and, if they financed it from another company (company B), the debt as well. Credit card issuers, mortgage companies and various other entities also use a type of off-balance-sheet financing known as asset backed securitization (ABS). The ABS process effectively allows a company to sell a portion of the loans (receivables assets) to investors, effectively removing the assets from their balance sheets (allowing a lower level of reserves, and, therefore capital) while managing the servicing of the debt.

[49] Ibid.

The Solution to Big Private Banks - an Economic Miracle Called Public Banks

So far, I've untangled the many pieces of legislation banking lobbyists have successfully gotten through congress to give themselves super priority status (#1 in line) to be paid if a bank fails. This multi-decade attack plan[51] on regular Americans and other citizens of the world was well coordinated and at first blush appears unbeatable. But take heart, there is a way out of this mess that accomplishes most of what economically troubles the US ***and it requires no federal legislation***.

The solution is called Public Banking and it is not new, in fact, 40% of banks globally already use it. It hasn't taken root in the US because the big banks and particularly the Federal Reserve have keep it quiet so as to not ruin their legal, dynastic, money creation oligarchy. Not surprisingly it is the opposite of Private Banking which is what the US has now. Public banking is banking operated in the public interest, through institutions owned by the people through their representative governments. Public banks can exist at all levels, from local to state to national. Any governmental body which can meet local banking requirements may, theoretically, create such a financial institution. For instance, there could be a California State Public Bank, an Orange County Public Bank, a Newport Beach, CA Public Bank each serving the needs of their particular population.

The leading proponent of Public Banking is the Public Banking Institute (PBI) (www.publicbankinginstitute.org) whose. Founder and president is Ellen Brown.[52] Ellen's "Web of Debt Blog" at www.ellenbrown.com is well researched, very popular and often cited. I find it to be the best place to get well written, easily understood "behind the scenes" information about banking, finance, fiscal management, debt crisis, Federal Reserve, BIS, bubbles, et al. Much of the information in this section comes from PBI, Ellen's presentations, and her book, From Austerity to Prosperity – The Public Bank Solution (11/2013). I highly recommend reading this book.

To understand public banking you first have to understand private banking**.** Private Banks shroud themselves in complexity hoping people will not take the time to decipher what they really do. This gives them free reign to do anything they want because the American people don't know enough to question it. ***I cannot stress enough the importance of knowing what private banking really is and how it has been extorting the American people since the signing of the Federal Reserve Act in 1913*** (see "What You Absolutely, Positively Need to Know about Banking & Your Money in this document).

[51] The battle is actually more than a century old. It really began December 23, 1913 when President Woodrow Wilson signed the Federal Reserve Act. One of the most damaging and controversial aspects of this law had Congress delegating its power to create money to a cadre of private banks. For years it has been debated whether this part of the act was constitutional. Article 1, Section 8 of the Constitution states "The Congress shall have the power… to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures." From a layman's perspective it seems obvious that the Federal Reserve shouldn't have the power to create money and certainly not charge interest to do it. See the section below called, "How money is created in the US."

[52] Ellen Brown is an attorney, president of the Public Banking Institute, and the author of twelve books and hundreds of articles. Her books include the bestselling "Nature's Pharmacy" (co-authored with Dr. Lynne Walker) and "Web of Debt," and her latest book "The Public Bank Solution." She graduated from UC Berkeley in 1967 and from UCLA Law School in 1977; practiced law for ten years in Los Angeles; then spent 11 years abroad, in Kenya, Honduras, Guatemala and Nicaragua. Her websites are http://webofdebt.com, http://publicbanksolution.com, and http://publicbankinginstitute.org.

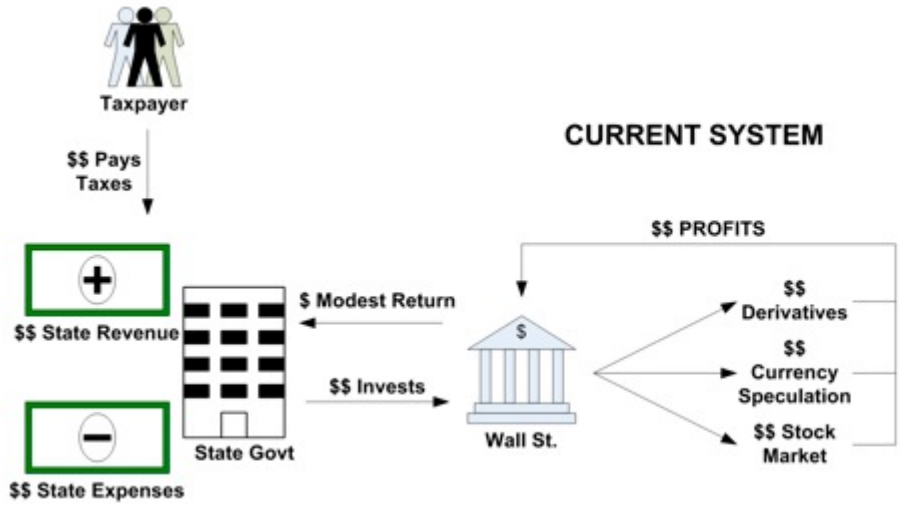


Figure 1: Private Banking Money Flow

Public banking is distinguished from private banking in that its mandate begins with the public's interest. Privately-owned banks, by contrast, have shareholders who generally seek short-term profits as their highest priority. Public banks are able to reduce taxes within their jurisdictions, because their profits are returned to the general fund of the public entity. The costs of public projects undertaken by governmental bodies are also greatly reduced, because public banks do not need to charge interest to themselves. <u>Eliminating interest has been shown to reduce the cost of such projects, on average, by 50%.</u>

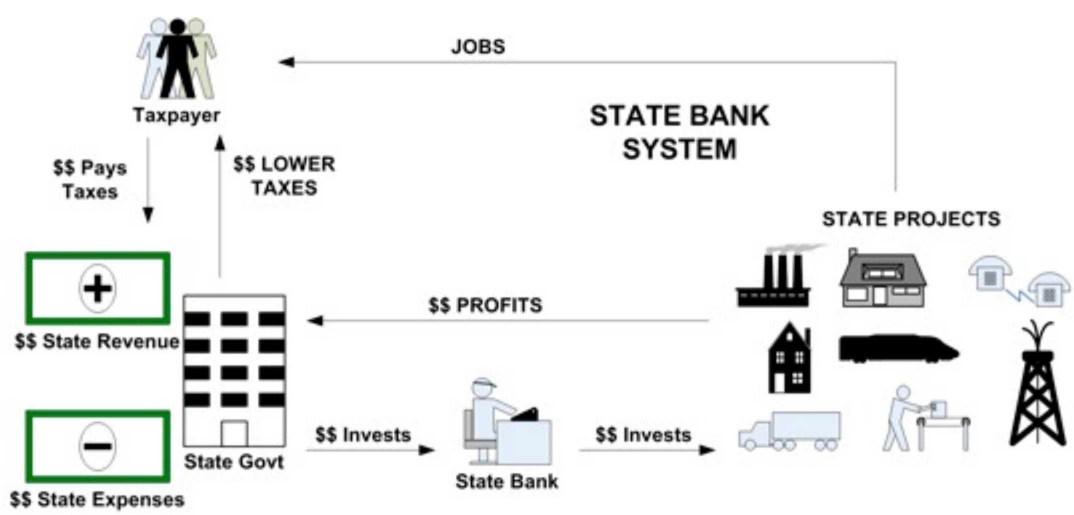


Figure 2: Public Banking Money Flow

Public Banks versus Private Banks

Item	Public Bank	Private Bank
Number of Banks	• One (Bank of North Dakota[53] formed in 1919)	• 6,891 as of Oct 2013[54].
Ownership	• Owned by the people of the state or community.	• Owned by private people, corporations, or foreign interests.
Goal	• Promote the economy of the state in the best possible way by providing credit for growth and prosperity.	• Rapid, short-term generation of profit, often leading to literally gambling your money in derivatives.
Investment Options	• None. • All funds and profits are used to serve the people of the state.	• Any kind to make the private bank owners money; Derivatives, CDOs, Stock & Bond trading, gold purchases/sales, Real Estate, International projects, et al. • Creating new ways to make money in these organizations is rewarded with monumental bonuses, especially if the new investment vehicle outwardly appears to be a great opportunity but its true financial effects are hidden deep within a complicated structure. • Money can go anywhere in the world and most certainly out of the state where it was deposited. • The money's availability is limited to the private owners of the bank.
Risk	• Safe. The money is for state or local people only.	• Extremely High. There would be no need to construct Bail-In procedures if a big bank failure was not possible.
Operation	• Professional bankers	• Politicians
Management Compensation	• Salaried public servants. • Paid by the state with a transparent pay structure. • No bonuses. • No stock options because public banks have no stock. • No perks other than normal pay raises.	• Millions, limited only by the bank board's approval. • Paid by profits of bank. • Unlimited bonuses. • Boondoggles for bank executives. • Perks including stock options, planes, houses, et al.
Acceptance of Consumer Deposits.	• A state public bank most likely would not take these deposits. Their main focus would be financing state projects or agencies to meet state-specific and local community needs. They would be underwriting and guaranteeing local bank financing. • A county or city public bank may take these but doing so would put them in competition with local banks. However, if big banks are the only local option, then a county or city public bank would be far safer deposit option, plus a local bank is more attentive to individual customer needs.	• Yes

[53] See the "Bank of North Dakota – 100 Years of Public Banking" section of this document.

[54] According to the Federal Deposit Insurance Corp., the number of federally insured financial institutions fell to to 6,891 as of the end of September 2014. That's the lowest it has been since 1934, when federal regulators began tracking the number. In the past 30 years, more than 10,000 banks have closed because of mergers, consolidations or failures. The overwhelming majority of those closures were small banks, or those with less than $100 million in assets. Small banks are the most important source of loans for small businesses. Since the end of the recession, small banks have approved three to four times more small business loans every month than big banks have. Small banks make their money from what many think of as traditional banking -- the spread between the interest they pay to depositors and the interest borrowers pay for loans. However, the Federal Reserve's monetary policy since the 2008 financial crisis of keeping interest near zero has cut that difference paper-thin. http://www.cbsnews.com/news/number-of-us-banks-drops-to-record-low/. Since 2008, rules created by the Bank for International Settlements and the Federal Reserve have hit small banks the hardest. This trend of creating and constantly modifying laws and financial rules has been a huge burden for small local bank hindering their continued operations. The many small changes coming from many different agencies and many different directions when taken in aggregate appear to be intentionally caused so as to create an environment where small local banks can be easily gobbled up by big banks.

Ownership of Depositor's Money	• The Public Bank owns the deposited money but the owners of the public bank are citizens of the state.	• Private Bank for the owners of the bank who could be any single person, group, corporation, or non-US country.
Depositor ownership status of the money deposited.	• The depositor is an unsecured creditor to the bank. Your savings or checking account is an IOU from the bank.	• The depositor is an unsecured creditor to the bank. Your savings or checking account is an IOU from the bank.
Depositor Insurance	• Public banks would be part of the Federal Reserve System to access the low interest rates given to private banks. • Public State Banks would most likely self-insure rather than use the FDIC. This does not put depositors at risk. Rather, it helps avoid risk and unnecessary expense, since the state's assets would be far more than $250,000 of the FDIC. • FDIC insurance is not only expensive but subjects members to FDIC regulation, making the state subservient to a semi-private national banking association. Public banks would not join the FDIC to maintain their financial independence.	• FDIC. • Currently the FDIC reserves cover only .25% (that's ¼ of 1%) on deposits, and .008% (8 one thousandth of a %) when derivative exposure is included.
How the money is created.	• The money a public bank lends is created by the bank typing on a computer screen, an amount into the borrower's deposit account. (see section "What You Absolutely, Positively need to Know about Banks and Your Money")	• The money a private bank lends is created by the bank typing on a computer screen, an amount into the borrower's deposit account. (see section "What You Absolutely, Positively need to Know about Banks and Your Money")
Amount of interest charged.	• Remember: A State Public Bank does not finance intrastate projects to make a profit. They are financing projects for its citizen's public good. • Can charge no interest if it makes sense. • Interest rates are set by the state on a case-by-case basis. For example, the state might charge interest on a loan taken by an out-of-state contractor doing work in the state.	• Remember: Private Banks create money out of thin air and then charge interest for this when they have done absolutely nothing to deserve it. • Interest is one of the bank's largest sources of income and profit for the private owners of the bank. • Charge interest for all loans, always. • Always charge the highest rate possible or the rate they can get away with.
Interest dollars collected.	• If interest is assigned to a loan, all proceeds would go back into the state coffers.	• All interest proceeds go to the private owners of the bank. • The owners of a private bank may not be US citizens so the income and profits could be going to another country.
Where are interest dollars spent.	• All interest proceeds are used to pay for state projects, agencies or personnel.	• Exclusively spent by the private owners of the bank who could be any single person, group, corporation, or non-US country.
Role of local banks.	• Cooperative • A State Public Bank's job is to promote the state's economy by providing credit for growth and prosperity. This credit is available to local banks to strengthen their financial position when needed. • Local banks do the jobs normally attributed to banks of savings, checking and loans	• Competitive. Dog eat dog. • Big Banks have lots of money to spend on advertising to draw potential depositors to them.
Disaster Relief.	• A state public bank is in a unique position to provide disaster relief thru immediate funding.	• No, not unless the can make money on it.

Bank of North Dakota (BND) – 100 years of Public Banking[55]

History of Success

The Bank of North Dakota (BND) was formed in 1919 to free farmers and small businessmen from the clutches of out-of-state bankers and railroad men. Its stated mission is to deliver sound financial services that promote agriculture, commerce and industry in North Dakota. The BND is a boon not only to the government and local economy but to the local banking community. It acts as a mini-Fed for the state, providing correspondent banking services to virtually every financial institution in North Dakota. Today it is a major source of profit for the state, generating a whopping 25 percent return on equity even in 2008, when revenues in other states were plummeting.

The state's thriving economy and low unemployment rate have been attributed to an oil boom; but while oil is a factor, something else has put North Dakota over the top. Profiting from an oil boom requires more than just finding oil in the ground. Infrastructure is needed to get it to market. Oil companies do not build houses, hotels, or roads; and private banks in boom towns are reluctant to fund those projects, because the boom could be gone before the loans get repaid. Other mineral-rich states that were not initially affected by the economic downturn lost revenues with the later decline in oil prices, but not North Dakota. Its balance sheet remained so strong that in 2009, it was in the unique position of reducing individual income taxes and property taxes by a combined $400 million. In 2011, they were reduced by $500 million.

The enabling factor that has fostered both a boom in oil and record profits from agriculture in North Dakota is ready access to credit; and that access has been facilitated by what is truly unique to the state, its state-owned bank. The state deposits its tax revenues in the Bank [of North Dakota] which in turn ensures that a high portion of state funds are invested in the state economy. In addition, the Bank is able to remit a portion of its earnings back to the state treasury. Having its own bank allows North Dakota to fund projects without either raising taxes or incurring debt. The dilemma facing governments today is how to pay for stimulus and jobs programs without incurring new debt. Public banking institutions should point the way, in part for their ability to expand lending on a revolving basis without raising taxes or even borrowing from bond markets.

The Bank of North Dakota has a massive, captive deposit base, since all of the state's revenues are deposited in the bank by law. Most state agencies also must deposit with it. The BND does not compete with local banks for commercial deposits or loans. It takes some token individual deposits, but the vast majority of its deposits come from the state itself. Municipal government deposits are generally reserved for local community banks, which are able to use those funds to back loans because the BND provides letters of credit guaranteeing them. The BND also has a massive capital base. The bank was originally set up as "North Dakota doing business as the Bank of North Dakota." That means that technically, all of the assets of the state are assets of the bank. The BND has built up a sizable capital fund. By the end of 2010, it had capital of $ 327 million. It had $4 billion in assets, of which $2.8 billion were loans; and it had deposits of $3 billion.

The state infrastructure projects are effectively interest-free, since the bank returns interest to the state in the form of an annual dividend. The result is to reduce project costs by an average of 40 percent over the life of the loan.

[55] This section is taken, in some cases verbatim, from chapter 31, "State Solutions: The Model of the Bank of North Dakota," from the book, *From Austerity to Prosperity – The Public Bank Solution*, by Ellen Brown. Her description of public bank advantages as seen through the experience of the Bank of North Dakota is so concise I decided to include it here. I have summarized some of the information and added red highlighting to emphasize the astonishing accomplishments of BND.

Like private banks, a publicly -owned bank has the ability to create money in the form of bank credit on its books, and it has access to very low interest rates. It differs from private banks in that their business model requires them to take advantage of the low rates to extract as much debt service from their customers as the market will bear. Private Banks are legally bound to think first of the quarterly profits of their shareholders. The BND, by contrast, is obligated by its mission statement to serve the community. A public bank can pass low interest rates on to public agencies, local businesses, and residents.

2008 – When every state in the country had financial problems – North Dakota did not

In April 2011, the BND reported annual profits of $ 62 million, setting a record for the seventh straight year. These profits belong to the citizens, and they are generated without taxation. According to a study by the Center for State Innovation, the BND added nearly as much money to the state's general fund from 2007 to 2009 as oil and gas tax revenues did.

Every year from the 2008 banking crisis up through 2012, the BND has reported a return on investment of between 17 percent and 26 percent. Compare that to California's pension funds— CalPERS and CalSTRS— the largest pension funds in the world. From a peak of $260 billion in 2007, CalPERS fell to $ 160 billion in March 2009, a 38 percent decline. CalSTRS peaked at $ 180 billion in October 2007 and dropped to $ 112 billion in the same period, a 34 percent decline. They did better in 2011 and 2012, but they are still well below where they were before the crisis. For their questionable performance in managing the CalPERS portfolio, Wall Street firms reported earning $1.1 billion in 2010.

North Dakota has the lowest foreclosure rate in the country, the lowest credit card default rate, and the lowest unemployment rate. It has no debt at all, and it has had no bank failures at least in the last decade.

Imagine if Your State had a Public Bank

The Bank of North Dakota has accomplished all of the items below. What if every state had a state public bank modeled after the BND, *Imagine*…

Imagine keeping all the interest dollars in the state that paid them, rather than being paid to out-of-state Wall Street Banks.

Imagine using the interest dollars for the benefit of the state that paid them, rather than being paid to out-of-state Wall Street Banks.

Imagine a bank expressly chartered, by law, to consider the welfare of its residents first over any forms of profit.

Imagine a state bank capitalized without using tax dollars.

Imagine state infrastructure projects costing 50% less.

Imagine a bank dedicated, by law, to look to the long term interests of the public rather than speculating in ventures that maximize profits for the short term.

Imagine reducing state income and property taxes with no reduction in services

Imagine a bank financing local projects that actually, really, honestly do create jobs.

Imagine a bank protecting local banks in the state from predatory rule changes that overwhelm out-of-state banks.

Imagine a bank protecting local banks from being gobbled up by big Wall Street Banks by injecting additional funding when needed, such as when capital requirements are raised threatening small bank existence.

Imagine a bank assisting in the development of all local banks in the state such that local bank failures are eliminated.

Imagine a bank actively supporting small local banks because they make three to four times more small business loans every month than big banks. These loans invigorate small businesses who create 90% of the new jobs.

Imagine a bank that is counter-cyclical, meaning they are capable of reducing the negative impact of recessions, because they can make money available for local governments and businesses precisely when private banks decrease lending.

Imagine a state bank purchasing local bank stock to strengthen the state's small banks from being bought by big banks, and doing it in an era when federal policy encourages bank consolidation.

Imagine a bank that does not imperil state funds or tax money but is self-funding and self-sustaining.

Imagine a bank that can lower debt costs for local governments.

Imagine a state with more local community banks than Big Banks.

Imagine educational funding costing 50% less.

Imagine a bank where depositors are no longer fearful of losing their money in a Bail-In.

Imagine a bank that, by law, cannot risk public revenues or pension funds.

Imagine a bank able to offset pressures for state tax increases with returned credit income to the community.

Imagine a bank that can be a ready source of affordable credit for local governments, eliminating the need for large "rainy day" funds.

Imagine a bank providing "plain old banking services," like it once was – checking – savings – local loans.

Imagine a bank investing in only state projects, agencies or people.

Imagine a bank whose managers are paid just like the rest of us.

Imagine your state having a budget surplus.

Imagine your state having no debt at all.

Every state or city in the US[56] can have their own public bank without any new federal legislation.

[56] Potentially available to any sized government or community able to meet the requirements for setting up a bank.

Why Would Anyone Do Something (Bail-In) that Enrages Their Customers?

The Reverence for "Financial Stability"

Since I have been researching and writing about Bail-Ins, I've had a gnawing feeling that even though I could plot the timeline of Bail-In activities and know what will happen in the next big bank failure, I could not see the reasoning as to, "Why." It didn't make sense that some people (big bankers) would unilaterally take ordinary people's money, depriving them of livelihood, health and hope for the sole purpose of keeping a big bank operating. Because it seems so irrational many have told me, "They'd never do that," or "That will never happen," or "That can't happen because there'd be riots everywhere." At first blush these statements appear correct – it's just so monumentally illogical, how could they do it. However, by untangling the web of Bail-In, I have been forced to accept the counterintuitive argument that logic, emotion, empathy, morals, or any kind of humanism, has absolutely nothing to do with the question of "Why."

<u>*The primary reason why a bail-in, confiscation of money, riots and chaos, could happen stems from big banker's core belief that global financial stability is paramount, above all else*</u>. Nothing is to be considered that would harm the platitude of "financial stability:" not governments, not the environment and certainly not people. This truism is so deeply ingrained within the fiber of their soul they think it unconscionable for anyone to challenge it and catastrophic if any part of "financial stability" is sacrificed to something as meaningless, as say people. Notice I said "big bankers" and there is an important distinction to be made between them and the majority of bankers. Big bankers run big banks but more importantly they are also allowed membership into a very powerful and highly clandestine organization called the Bank for International Settlements.

The Bank for International Settlements

When my son was a teenager he asked me about the idea of world domination and if it was happening. He and his friends spent countless hours on the internet and became convinced that such a thing was occurring and their futures would be negatively impacted. I told him that anything was possible but it was highly unlikely since the world had so many countries with diverse cultures and governmental styles. None the less, he would show me articles about the Rothschilds and the Bank of England to prove his point. While I listened attentively and encouraged him to explore new things, I wrote it off to youthful exuberance. But now, I'm not so sure. If you're looking to prove the existence of a "take over the world conspiracy," then the Bank for International Settlements would be an excellent place to start.

The Bank for International Settlements or BIS (www.bis.org) is an incredibly secret organization whose existence is little known outside of big banking and central banking circles. I've asked executives at small banks about BIS and the majority has never heard of it. It is most commonly referred to as "the central bank of central banks" where central bankers and other big bankers meet to discuss global monetary issues or as some bsay, to plot the next takeover privatization scheme.

BIS was set up in 1929 to handle German war reparations, after Germany defaulted on its war debts under the Treaty of Versailles in 1923. The Dawes Plan was then set up to allow Germany to borrow money from America, so that Germany could repay its war debts to England and France. In 1929, the Young Committee restructured the Dawes loans and created the BIS to act as trustee for the loans. Germany made installment payments to America, giving American bankers a vested interest in German industry so that Germany could repay the loans. The plan for the BIS was agreed to at a conference of nations at the Hague in August 1929, just two months before the Wall Street stock market crash of that year. A charter for the bank was drafted at the International Bankers Conference at Baden Baden in November and was adopted at a second Hague Conference on January 20, 1930.

For many years the BIS kept a very low profile, operating behind the scenes in an abandoned hotel. It was here that decisions were reached to devalue or defend currencies, fix the price of gold, regulate offshore banking, and raise or lower short-term interest rates. In 1977, however, the BIS gave up its anonymity in exchange for more efficient headquarters in Basel, Switzerland. *Today the BIS has governmental immunity (i.e., it reports to no government), pays no taxes, and has its own private police force. It is, as its founders envisioned, above the law.*

Although the BIS is now composed of 60 nations, control is with a much smaller group. The real business gets done in "a sort of inner club made up of the half dozen or so powerful central bankers who find themselves more or less in the same monetary boat" – those from Germany, the United States, Switzerland, Italy, Japan and England: The prime value, which also seems to demarcate the inner club from the rest of the *BIS members, is the firm belief that central banks should act independently of their home governments* (in BIS terminology that means a county's central bank should be run by private bankers and not answer to the government. This also implies private banks should get interest payments on the money they create instead of the government). *A second and closely related belief of the inner club is that politicians should not be trusted to decide the fate of the international monetary system*[57].

> ***The BIS is where all of the world's central banks meet to analyze the global economy and determine what course of action they will take next to put more money in their pockets, since they control the amount of money in circulation and how much interest they are going to charge governments and banks for borrowing from them. . . . When you understand that the BIS pulls the strings of the world's monetary system, you then understand that they have the ability to create a financial boom or bust in a country. If that country is not doing what the money lenders want, then all they have to do is sell its currency[58].***

The "gospel of financial stability," is echoed in Federal Reserve Governor Jeremy Stein's comments in April 2013 when he said about Bail-Ins:[59]

> ***I have little doubt that private investors will in fact bear the losses--even if this leads to an outcome that is messier and more costly to society than we would ideally like.***

Translation – let the chips fall where they may. Financial stability and continued bank operations are paramount over everything else – even people[60].

The Pejorative Attitude of Bankers

Men like Julius Caesar, Alexandra the Great or Attila the Hun tried to become masters of the world by conquering as much territory as they could. They measured their success by the amount of land they "acquired "to expand their empires and fed their egos by subjugating any culture standing in their way. They made the conquered people subservient to their wishes thus proving, in their mind, they were superior beings and everyone else mere fodder to grease their war machines. They never had enough. They never were satisfied. Their personal desires outweighed any other consideration and they didn't care who they harmed or killed in the process. They simply would not be deterred in their quest for ultimate personal power and world domination.

[57] *The Public Bank Solution: From Austerity to Prosperity*, by Ellen Brown, Third Millennium Press, pp 193-198.

[58] *The Bank for International Settlements Calls for Global Currency*, by Joan Veon, News with Views, August 26, 2003.

[59] "Regulating Large Financial Institutions," Jeremy C. Stein, Member Board of Governors of the Federal Reserve System, Presented at the IMF Conference "Rethinking Macro Policy II," April 17, 2013. http://www.federalreserve.gov/newsevents/speech/stein20130417a.htm

[60] There is a widely held belief that the BIS is a front for the Rothschild family.

Today, I believe the big private bankers, central bank leaders and the Bank for International Settlements are reincarnations of those previous would-be world conquerors. I see the people at the top of these “Too Big To Fail” institutions as the new roving horde, issuing electronic orders for their minions to follow and only allowing them to rest when they have conquered some new untapped financial frontier. They measure their success by how much money and power they have. They’re constantly embracing new ways to separate people from their money, owners from their businesses, cities from their assets, country’s from their resources, the environment from its health, novel ideas from the public view, and the commons from the mutual good of all. And as those self-possessed egos of old, the new uncontrolled throng of bankers don’t care what or who gets hurt while they pillage, steal, litigate and confiscate all they can. Their unbounded lust and greed for more is insatiable.

They *really believe* they are better than us. They *really believe* they know what’s best for us because we can’t or shouldn’t think for ourselves, especially in financial matters. These people are far past any point of common reason and logic and permanently defer questions of right and wrong. These people will do anything to anyone. This kind of arrogance cannot be reconciled with moral values. You cannot underestimate the viciousness of these denizens of opulence. Repudiating big bank misdeeds can no longer be dismissed or explained by such phrases as; “that can’t possibly happen,” or “they would never do that,” or “that doesn’t make any sense.” Eliminate these disavowals from your thinking. Realize that bankers and government officials will survive and prosper at all costs and their plans don’t include any serious considerations to keeping the majority whole.

Answers to the question of “why,” I found summarized quite well in a blog entry.[61] The “They “are big bankers and plutocrats.

- They’ll take it because they can.........
- They’ll take it because they'll make laws or policy that allows it.........
- They’ll take it because they'll tell us it will prevent the banking system from collapse........
- They’ll take it --anyone's money above a certain level (say 50K) because the great majority has less than 50k in funds or retirement and will be happy that they are doing it to someone else......
- They’ll take it and tell everyone that those people obtained that money unfairly and it needs to be "redistributed”.....
- They’ll take it because as President Obama has said- you didn't earn anything on your own--you owe the government who made it possible[62]..........
- They'll take it, and then of course, make provisions to make themselves exempt from the policies…….
- They'll take it, and if you complain too much?- it's the no fly list for you, your name added as a political dissident, revoking your right to bear arms and possibly an unwarranted arrest and detention until you get your head straight....
- But most of all--they'll take it because you can't stop them if your electronic money is sitting in their computers and they hold the passwords for electronic withdrawals....

[61] I have revised some of the content. http://theeconomiccollapseblog.com/archives/cyprus-style-wealth-confiscation-is-now-happening-all-over-the-globe
[62] http://www.whitehouse.gov/the-press-office/2012/07/13/remarks-president-campaign-event-roanoke-virginia

Federal Legislation Would be Nice[63] - but Don't Hold Your Breath

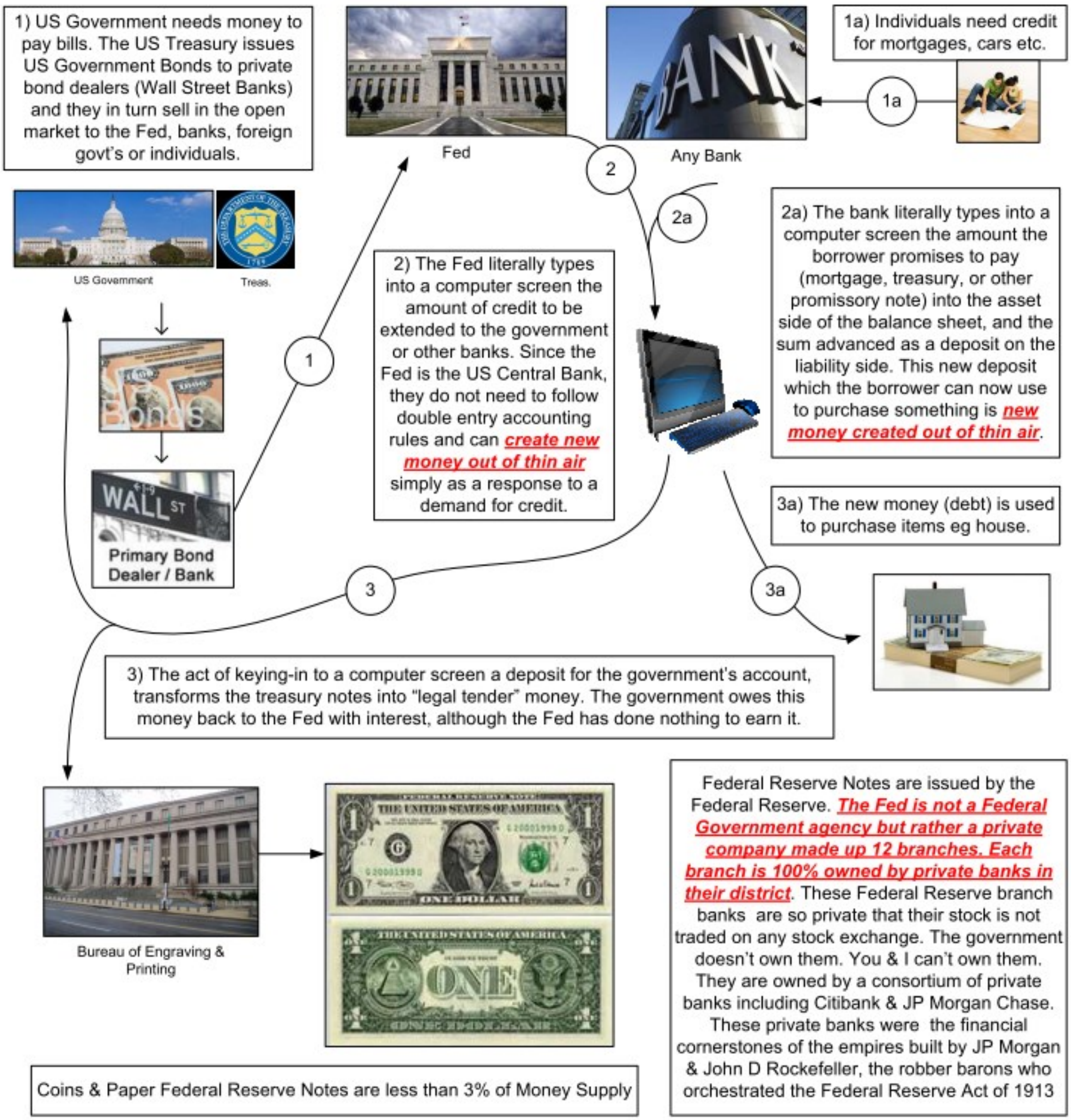
1. Eliminate the super-priority status of derivatives in bankruptcy.
2. Restore the portion of Glass-Steagall Act separating depository banking from investment banking.
3. Break up the giant derivative banks.
4. Ban derivatives and unwind them.
5. Impose a financial transactions tax on Wall Street.
6. Nationalize failed international super-banks.
7. Establish postal savings banks as government-guaranteed depositories for individual savings.
8. Establish publically-owned banks to be depositories of public monies, following the lead on North Dakota, the only state to completely escape the 2008 banking crisis.
9. Do not allow the Trans-Pacific Pact to be "fast tracked" through congress or passed by some other means.

[63] The suggestions 1-8 are taken from "From Austerity to Prosperity – The Public Bank Solution," by Ellen Brown, 2013, pp344-345.

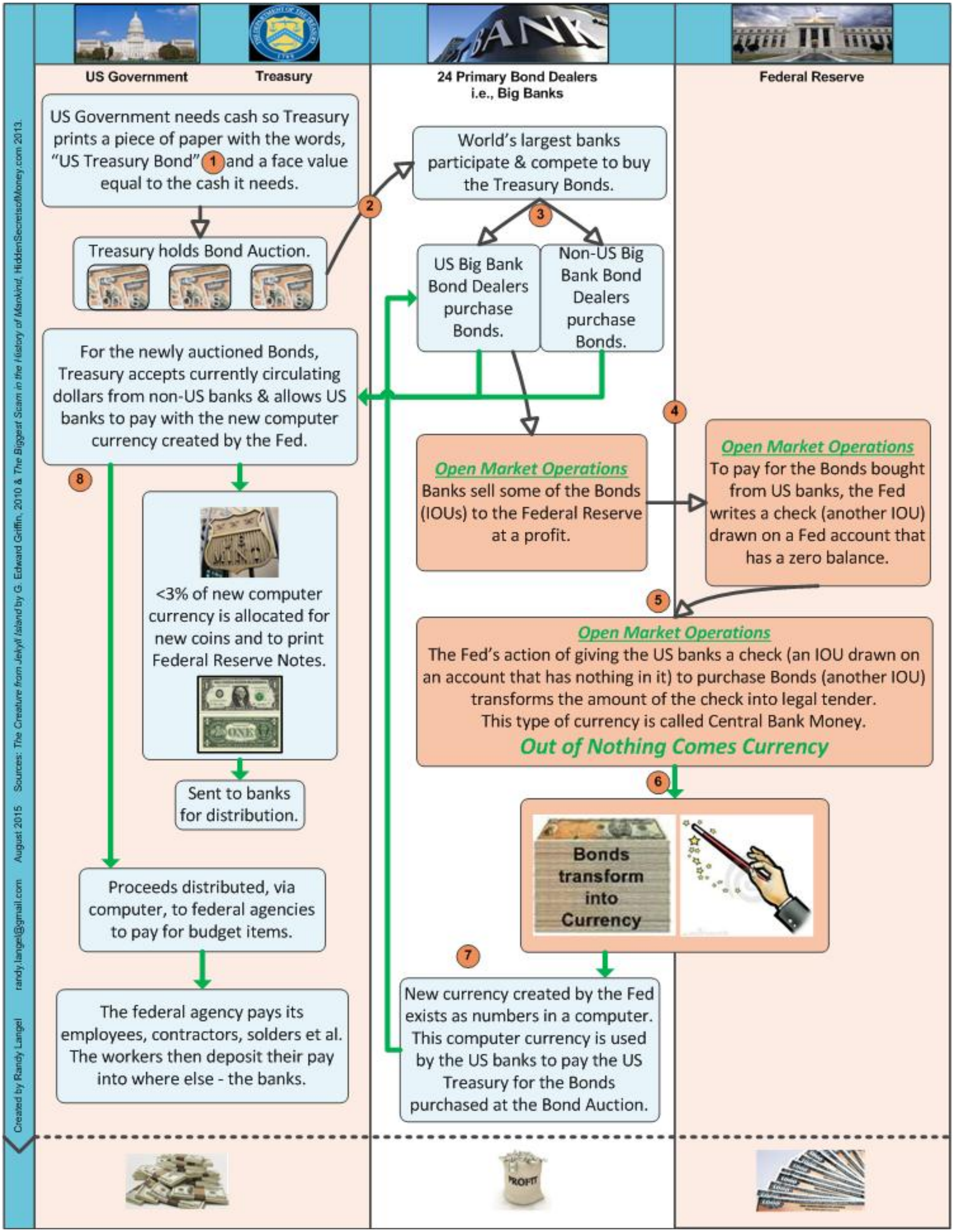
Appendix A -Money Creation One-Page Summaries

How Money is Created in the US

The US Government does not create money. That job is done by private banks under the umbrella of a private company called the Federal Reserve. All money (except coins) is created out of thin air by private banks issuing loans. Treasury Bonds are loans from the Federal Reserve to the Government which "owes" this money (created out of thin air by typing numbers into a computer screen) back to the Fed with interest, although the Fed has done NOTHING to earn the interest. ***The Fed's money creation privilege could be revoked and the Government create money itself without the Fed and no interest.***

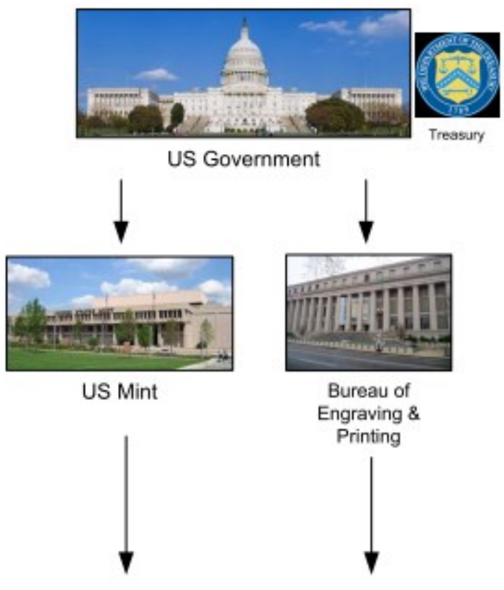


Created by Randy Langel, February 2014. randy.langel@gmail.com


US Government
Treasury
24 Primary Bond Dealers i.e., Big Banks
Federal Reserve
US Government needs cash so Treasury prints a piece of paper with the words, "US Treasury Bond" 1 and a face value equal to the cash it needs.
Treasury holds Bond Auction.
2
World's largest banks participate & compete to buy the Treasury Bonds.
3
US Big Bank Bond Dealers purchase Bonds.
Non-US Big Bank Bond Dealers purchase Bonds.
For the newly auctioned Bonds, Treasury accepts currently circulating dollars from non-US banks & allows US banks to pay with the new computer currency created by the Fed.
4
Open Market Operations
Banks sell some of the Bonds (IOUs) to the Federal Reserve at a profit.
Open Market Operations
To pay for the Bonds bought from US banks, the Fed writes a check (another IOU) drawn on a Fed account that has a zero balance.
5
Open Market Operations
The Fed's action of giving the US banks a check (an IOU drawn on an account that has nothing in it) to purchase Bonds (another IOU) transforms the amount of the check into legal tender.
This type of currency is called Central Bank Money.
Out of Nothing Comes Currency
6
Bonds transform into Currency
8
<3% of new computer currency is allocated for new coins and to print Federal Reserve Notes.
Sent to banks for distribution.
Proceeds distributed, via computer, to federal agencies to pay for budget items.
The federal agency pays its employees, contractors, solders et al. The workers then deposit their pay into where else - the banks.
7
New currency created by the Fed exists as numbers in a computer. This computer currency is used by the US banks to pay the US Treasury for the Bonds purchased at the Bond Auction.
PROFIT
Created by Randy Langel randy.langel@gmail.com August 2015 Sources: The Creature from Jekyll Island by G. Edward Griffin, 2010 & The Biggest Scam in the History of Mankind, HiddenSecretsofMoney.com 2013.

Two Separate Money Systems Have Competed for Dominance throughout US History

#1 Government Creates Money



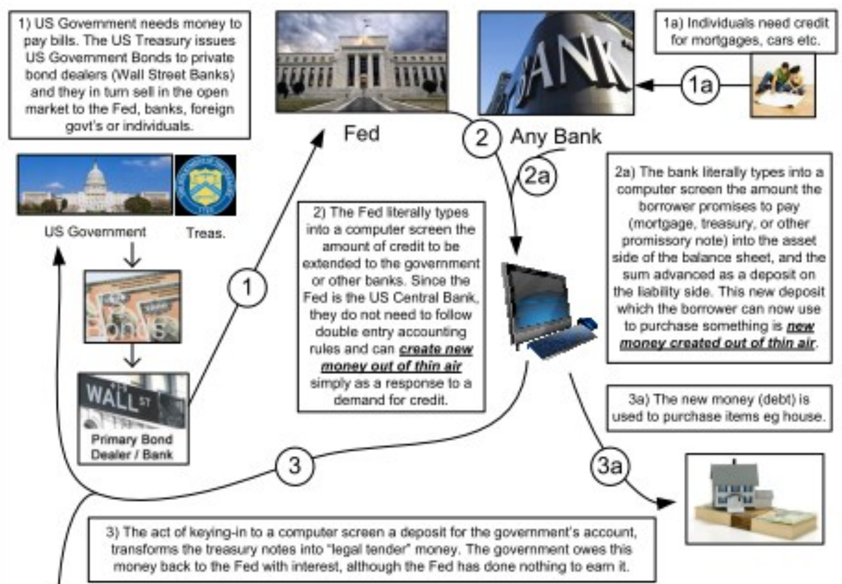
The Public Banking Movement espouses a return to this way of creating money. This is not a new solution as it dates back to the American Colonies. In fact, Abraham Lincoln financed the Cival War with public banks since private banks wanted 24% interest. *The power to create money needs to be returned to the government and the people it represents*. Publicbankinginstitute.org

US Banknotes or Greenbacks are money created by the US Treasury to be used as a medium of exchange for services and products. *The big difference between this and Federal Reserve Notes is that no interest is paid on this fiat currency*. However, it still is backed by the full faith & credit of the US Government. These notes have not been printed since 1971 when the Federal Reserve convinced the US Govt that they should be the only ones allowed to print paper money.

Advantages in returning to Public Banking

- **The federal debt could be paid.**
- **Social programs could be expanded.**
- **Austerity measures would not be needed.**
- **Inflation can truly be controlled.**
- **Income taxes could be eliminated.**
- **The government can take the money-issuing power back from the banks which would eliminate their social and political influence over the government and the populace.**

#2 Private Banks Create Money



Federal Reserve Notes are issued by the Federal Reserve which is composed of 12 branches, all of which are 100% owned by private banks in their district. They are so private that their stock is not even traded on the stock exchange. The government doesn't own them. You & I can't own them. They are owned by a consortium of private banks. Among the largest are Citibank & JP Morgan Chase, the financial cornerstones of the empires built by JP Morgan & John D Rockefeller, the robber barons who orchestrated the Federal Reserve Act of 1913

In the US all money, except coins, is loaned into existence. Money is created out of debt. Money = Debt

The entire US money supply consists of debt to private banks, for money they created with accounting entries on their computers. *Banks manufacture money out of nothing*.

The process to create money through private banks is actually very simple i.e.,entering numbers into a computer screen. However it is intentionally obfuscated to allow the concentration of wealth to be invisible.

Did you know that ...

- Roughly 30% of the money created by banks with accounting entries is *invested for their own accounts*.
- 97% of money exists in computers alone.
- Federal income tax was instituted specifically to coerce taxpayers to pay the interest due to banks on the federal debt. If the money supply had been created by the government rather than borrowed from banks that created it, *the income tax would not have been necessary*.
- When a bank makes a loan, it simply adds to the borrower's deposit account in the bank by the amount of the loan. The money is not taken from anyone else's deposit; it was not previously paid in to the bank by anyone. It's new money, created by the bank for the use of the borrower. Money creation is done by building up deposits, and this is done by making loans. *Contrary to popular belief, loans become deposits rather than the reverse* i.e, deposits becoming loans.
- When the Federal Reserve writes a check for a government bond it does exactly what any bank does, it creates money. *The Fed creates money purely and simply by writing a check*.
- The problem is that *all* money except coins comes from banker created loans, so *the only way to get the interest owed on old loans is to create new loans*.

Coins & Paper US Banknotes & Federal Reserve Notes are less than 3% of Money Supply

The content for this chart was taken from the books, "Web of Debt – The Shocking Truth About Our Money System And How We Can Break Free," January 2012 and "From Austerity to Prosperity – The Public Bank Solution," June 2013, both by Ellen H Brown, Third Millennium Press.

The process flow in a Public Bank would be the same as the "US Government Creates Money" option AND all the interest would go to the citizens rather than shareholders interested only in short-term profits.

Created by Randy Langel, October 2013. randy.langel@gmail.com

Fractional Reserve Banking Example – Money is Created from Thin Air

Using the money creation process shown above, let's assume the government has a new deposit of $10 Billion in its commercial bank account. The $10B deposit instantly becomes part of Bank A's Reserves, as all deposits do.

Individual Bank	Amount Deposited	Additional Reserves		Expanded Money Supply
Bank A	$10B	$10B		$10B

In order to loan new money a new deposit is needed generating the requirement for additional reserves. Using 10% as the reserve requirement, Bank A has to put $1B in their reserve and the other $9B is considered "excess reserves" and can be used as the basis for new loans.

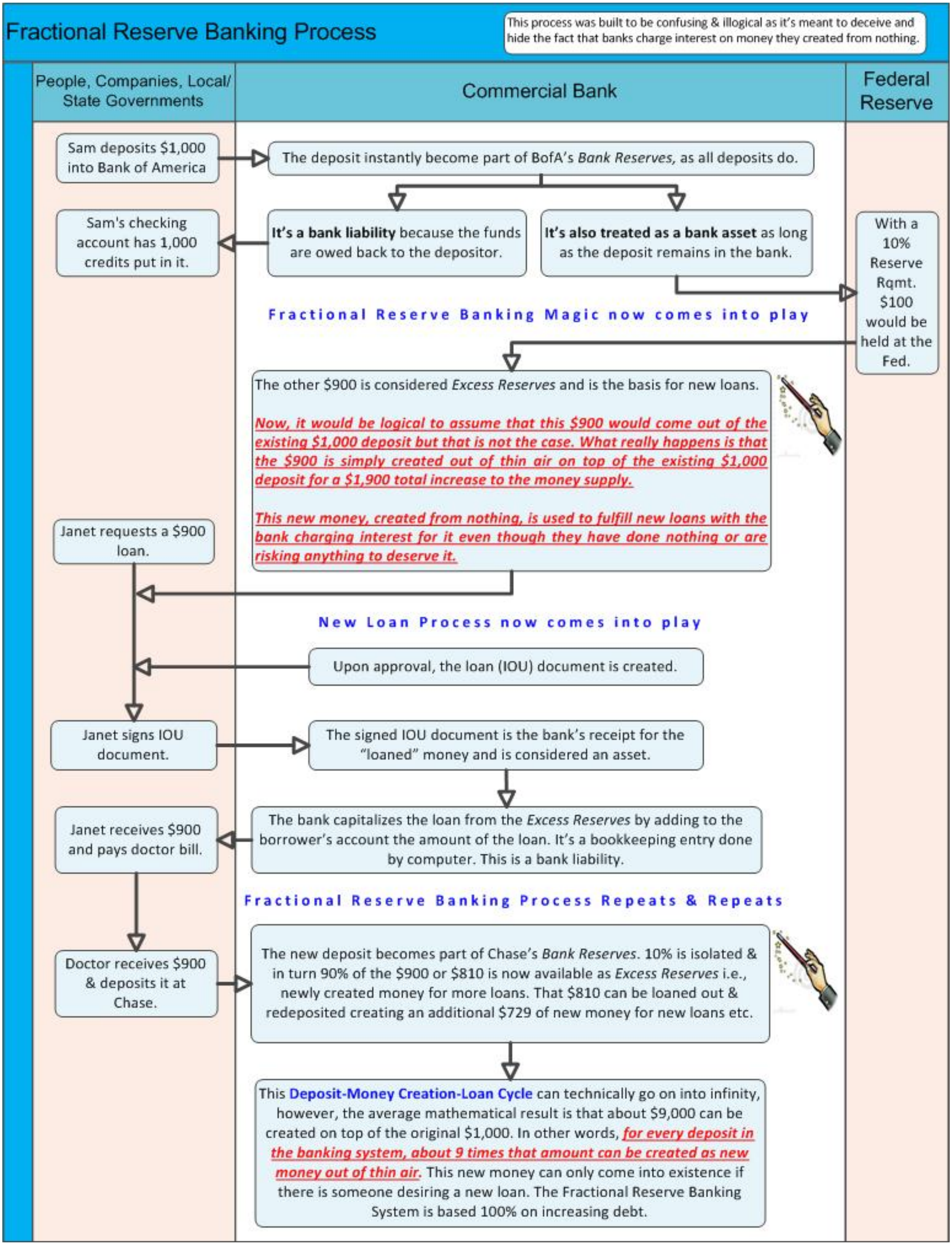
Now, it would be logical to assume that this $9B would come out of the existing $10B deposit but that is not the case. What really happens is that ***the $9B is simply created out of thin air on top of the existing $10B deposit for a $19B total increase to the money supply***. In other words, the $9B can be created out of nothing, simply because there is demand for such a loan and there is a $10B deposit to satisfy the reserve requirements.

Individual Bank	Amount Deposited	Excess Reserves (New $$ Lent Out)	10% Reserves	Expanded Money Supply
Bank A	$10.0B			$10.0B
Bank A	$10.0B	$9.00B	$1.00B	$19.00B

Now, let's assume that somebody walks into Bank A and borrows the available $9B. Most likely they will deposit it into their own bank account at Bank B. The fractional reserve process then repeats. The new deposit becomes part of Bank B's reserves, 10% is isolated and in turn 90% of the $9B or $8.1B is now available as newly created money for more loans. Of course, that $8.1B can be loaned out and re-deposited creating an additional $7.2B etc.

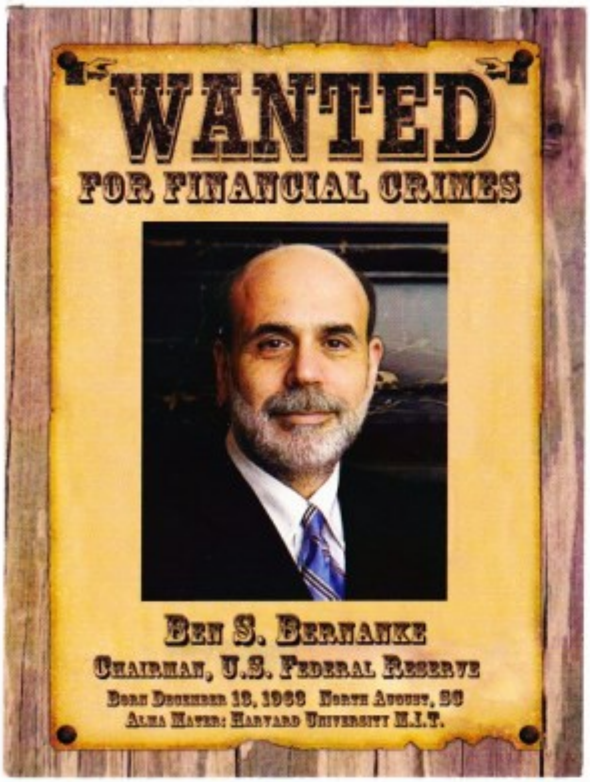
Individual Bank	Amount Deposited	Excess Reserves (New $$ Lent Out)	10% Reserves	Expanded Money Supply
Bank A	$10.0B			$10.0B
Bank A	$10.0B	$9.00B	$1.00B	$19.00B
Bank B	$9.0B	$8.10B	$0.90B	$27.10B
Bank C	$8.1B	$7.29B	$0.81B	$34.39B
Bank D	$7.29B	$6.561B	$0.729B	$40.951B
⋮	⋮	⋮	⋮	⋮
		$90.0B	$10.0B	

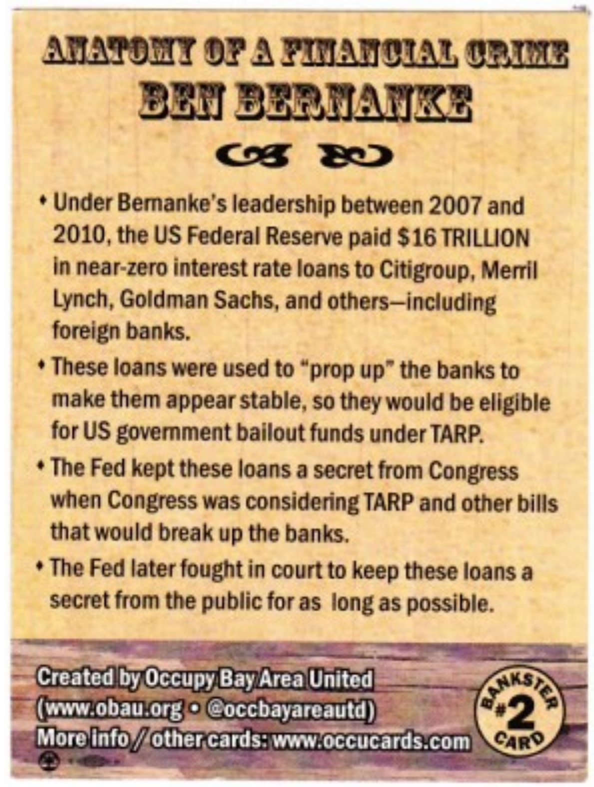
This deposit-money creation-loan cycle can technically go on to infinity, however, the average mathematical result is that about $90B can be created on top of the original $10B. In other words, ***for every deposit in the banking system, about 9 times that amount can be created as new money out of thin air***. This new money can only come into existence if there is someone desiring a new loan. The fractional reserve banking system is based 100% on increasing debt.


Fractional Reserve Banking Process
This process was built to be confusing & illogical as it's meant to deceive and hide the fact that banks charge interest on money they created from nothing.
People, Companies, Local/ State Governments
Commercial Bank
Federal Reserve
Sam deposits $1,000 into Bank of America
The deposit instantly become part of BofA's Bank Reserves, as all deposits do.
Sam's checking account has 1,000 credits put in it.
It's a bank liability because the funds are owed back to the depositor.
It's also treated as a bank asset as long as the deposit remains in the bank.
With a 10% Reserve Rqmt. $100 would be held at the Fed.
Fractional Reserve Banking Magic now comes into play
The other $900 is considered Excess Reserves and is the basis for new loans.
Now, it would be logical to assume that this $900 would come out of the existing $1,000 deposit but that is not the case. What really happens is that the $900 is simply created out of thin air on top of the existing $1,000 deposit for a $1,900 total increase to the money supply.
This new money, created from nothing, is used to fulfill new loans with the bank charging interest for it even though they have done nothing or are risking anything to deserve it.
Janet requests a $900 loan.
New Loan Process now comes into play
Upon approval, the loan (IOU) document is created.
Janet signs IOU document.
The signed IOU document is the bank's receipt for the "loaned" money and is considered an asset.
Janet receives $900 and pays doctor bill.
The bank capitalizes the loan from the Excess Reserves by adding to the borrower's account the amount of the loan. It's a bookkeeping entry done by computer. This is a bank liability.
Fractional Reserve Banking Process Repeats & Repeats
Doctor receives $900 & deposits it at Chase.
The new deposit becomes part of Chase's Bank Reserves. 10% is isolated & in turn 90% of the $900 or $810 is now available as Excess Reserves i.e., newly created money for more loans. That $810 can be loaned out & redeposited creating an additional $729 of new money for new loans etc.
This Deposit-Money Creation-Loan Cycle can technically go on into infinity, however, the average mathematical result is that about $9,000 can be created on top of the original $1,000. In other words, for every deposit in the banking system, about 9 times that amount can be created as new money out of thin air. This new money can only come into existence if there is someone desiring a new loan. The Fractional Reserve Banking System is based 100% on increasing debt.

Appendix B - The Worst Bankers & their Biggest Crimes

A group called Occucards.com has produced a series of cards (baseball card size) highlighting the worst big bankers with a synopsis of their heinous financial crimes.





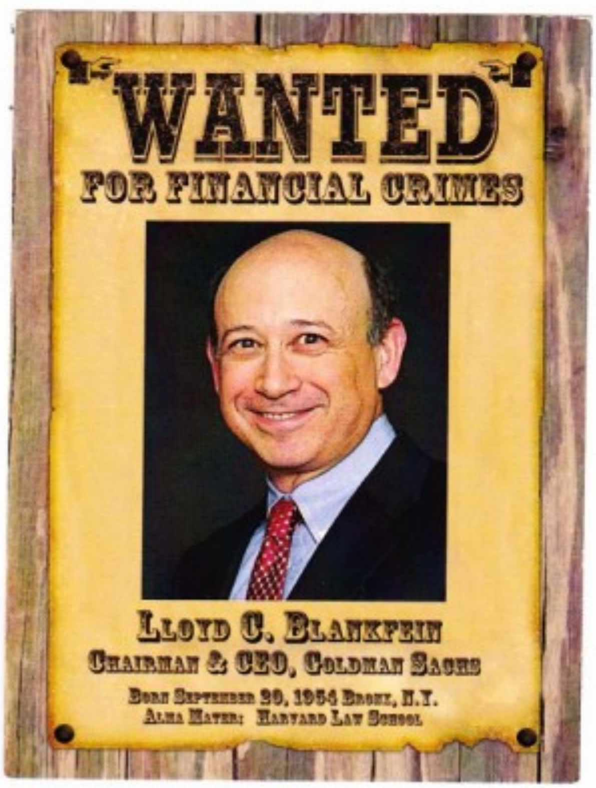
ANATOMY OF A FINANCIAL CRIME

BEN BERNANKE

- Under Bernanke's leadership between 2007 and 2010, the US Federal Reserve paid $16 TRILLION in near-zero interest rate loans to Citigroup, Merril Lynch, Goldman Sachs, and others—including foreign banks.
- These loans were used to "prop up" the banks to make them appear stable, so they would be eligible for US government bailout funds under TARP.
- The Fed kept these loans a secret from Congress when Congress was considering TARP and other bills that would break up the banks.
- The Fed later fought in court to keep these loans a secret from the public for as long as possible.

Created by Occupy Bay Area United
(www.obau.org • @occbayareautd)
More info / other cards: www.occucards.com

BANKSTER #2 CARD



ANATOMY OF A FINANCIAL CRIME

LLOYD BLANKFEIN

The Abacus Scandal:

- In 2007, Goldman Sachs securitized $1.2 billion in bad subprime mortgage debt in order to sell it, and get it off the books. While telling investors that they believed in the quality of the new security, Goldman took out a $2 billion bet that the security would implode.
- Investors lost over $1 billion in this deal. Blankfein later lied to Congress under oath about statements made to investors.
- Blankfein used his connections to NY Federal Reserve Chairman Tim Geithner to get him to funnel $13 billion in bailout funds directly through AIG to Goldman Sachs. Previous Goldman CEO Hank Paulson championed the bailout as U.S. Treasury Secretary.
- In an interview with the Times of London, he claimed he's just another banker "doing God's work."

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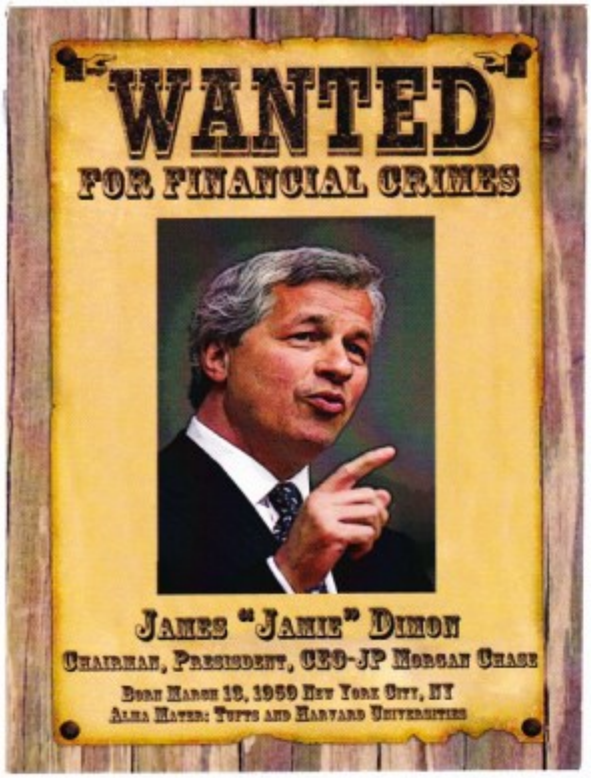
BANKSTER #1 CARD



A LITANY OF FINANCIAL CRIMES
JAMIE DIMON

- Gave himself a bailout: As a board member of the NY Federal Reserve, in 2008 he orchestrated a deal to provide his own bank (Chase) with a $29 billion bailout to buy Bear Stearns. (*See Hank Paulson card for more*)
- Acquired Washington Mutual in 2008 under suspicious circumstances that indicated the manipulation of WaMu's share price through aggressive short-selling.
- Stole money from customers of MF Global in 2011 by manipulating bankruptcy proceedings so that JP Morgan Chase got paid while depositors got nothing.
- Rigged municipal bond markets by bribing officials to take complicated derivative loans from JP Morgan Chase. This has resulted in taxpayers in some of America's poorest counties paying massive utility fees.
- Supervised massive illegal foreclosures, and in one case settled a $56 million class action lawsuit brought by soldiers over improper foreclosures of military families' homes.
- Aggressively manipulated the silver market.

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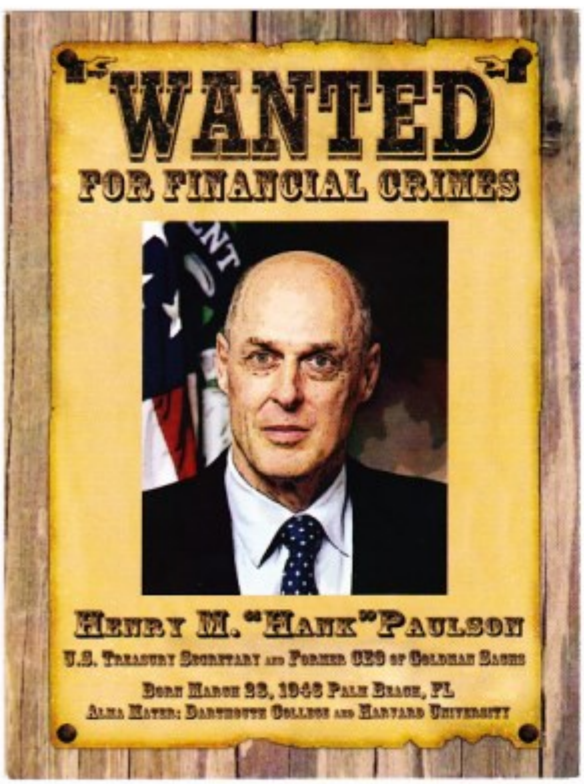
BANKSTER #6 CARD



A LITANY OF FINANCIAL CRIMES
HANK PAULSON

- While serving as Treasury Secretary in 2008, Paulson publicly insisted that Fannie Mae and Freddie Mac would remain privately owned. Meanwhile, behind closed doors, Paulson shared insider information with his former Wall Street colleagues that Fannie & Freddie would be taken into conservatorship by the government.
- According to Paulson's own memoir, Lloyd Blankfein (CEO of Goldman Sachs) called him at home in March 2008 demanding that the Bush administration find a buyer for failing bank Bear Stearns. Goldman was heavily exposed to Bear's debt, and would have sustained significant losses if Bear defaulted. So Paulson orchestrated a deal with JP Morgan Chase, who agreed to the deal only after the U.S. Treasury Department and NY Fed committed $29 billion in taxpayer funds to cover Bear's debts – a record bailout at the time.
- In September 2008, Paulson refused a bailout to Lehman Brothers. But two days after Lehman went bellyup, Paulson did provide an $85 billion bailout to AIG – $13 billion of which went straight to Goldman Sachs, of which he was ex-CEO. (*See Geithner card for more.*)

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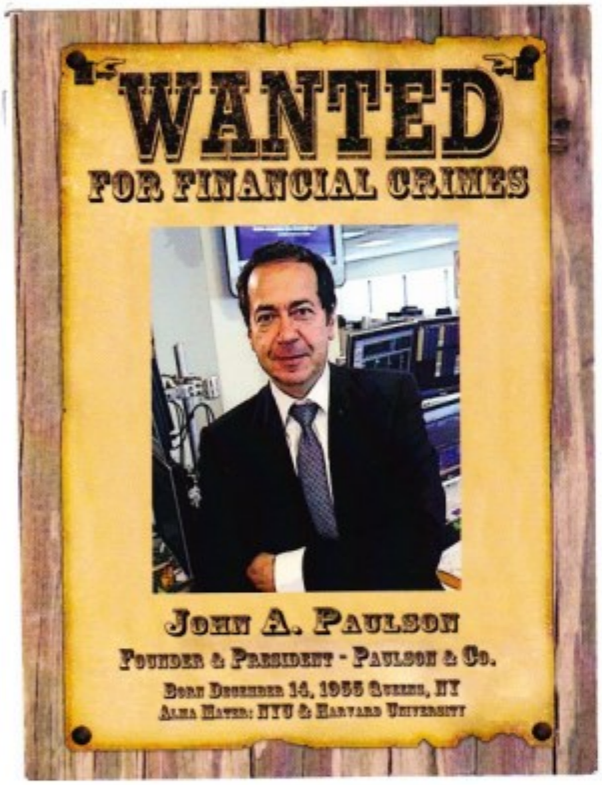
BANKSTER #5 CARD



ANATOMY OF A FINANCIAL CRIME
JOHN PAULSON

- In 2006, Paulson calculated that certain CDOs (subprime mortgage securities) were going to fail. So he bet against as many CDOs as he could.But he couldn't find as many as he wanted in the market.So Paulson went to his friends at Goldman Sachs to have them create a CDO to one specification: as likely to fail as possible. *(See Blankfein card & Abacus for more.)*
- Goldman Sachs gladly made the CDOs so that Paulson could bet against them.
- Goldman didn't disclose to the people who bought the CDOs that they knew the CDOs were designed to fail, or that Paulson bet against them.
- Unaware investors nationwide purchased the CDOs, then watched their portfolios fail when the CDOs did.
- Meanwhile, Paulson made $5.3 billion selling and betting against the CDOs.

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BANKSTER #4 CARD

ANATOMY OF A FINANCIAL CRIME
TIM GEITHNER

- As President of the NY Federal Reserve in 2008, Tim Geithner authorized the bailout of AIG. The bailout entailed the distribution of $182.3 billion.
- Under the NY Fed's instruction, AIG funneled that money to Geithner's friends at Goldman Sachs and other firms in billion-dollar "sweetheart" deals.
- Geithner then told AIG to keep these deals secret from the public, investors, and the Securities and Exchange Commission.
- It is suspected Geithner wanted to keep the secret to avoid jeopardizing his confirmation as Treasury Secretary in 2009.

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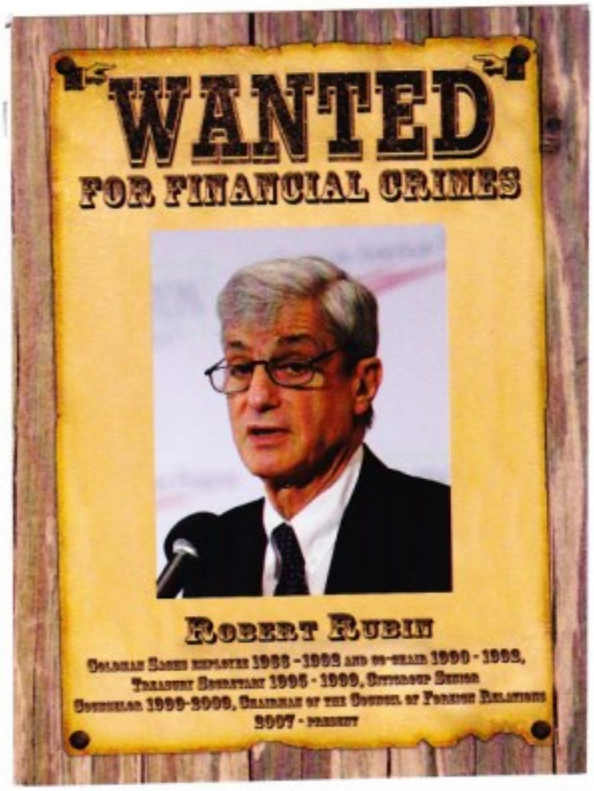
BANKSTER #3 CARD



A LITANY OF FINANCIAL CRIMES
ROBERT RUBIN

- In 1998, Citibank wanted to merge with Travelers Group. The deal was illegal under Glass-Steagall, which required the separation of commercial banks and insurance companies
- As Treasury Secretary, Rubin pushed for the law's repeal. In 1999, Glass-Steagall was repealed, allowing the Citi-Travelers merger and creating Citigroup. Days after the merger, Rubin was announced co-chair of Citigroup.
- In 2006, a senior chief underwriter named Richard Bowen repeatedly warned Rubin and other senior managers about defective mortgages going into mortgage-backed securities. In retaliation, Bowen was demoted.
- In 2012, Citigroup paid $590 million to settle a lawsuit with shareholders who were misled about the bank's exposure to subprime mortgage debt by Rubin and other officers of Citigroup.
- According to the Congressional Oversight Panel, Citigroup got the largest bailout during the financial crisis – $476.2 billion – in TARP, FDIC, and Fed funds.
- Rubin made $126 Million between 1999 and 2009 at Citigroup.

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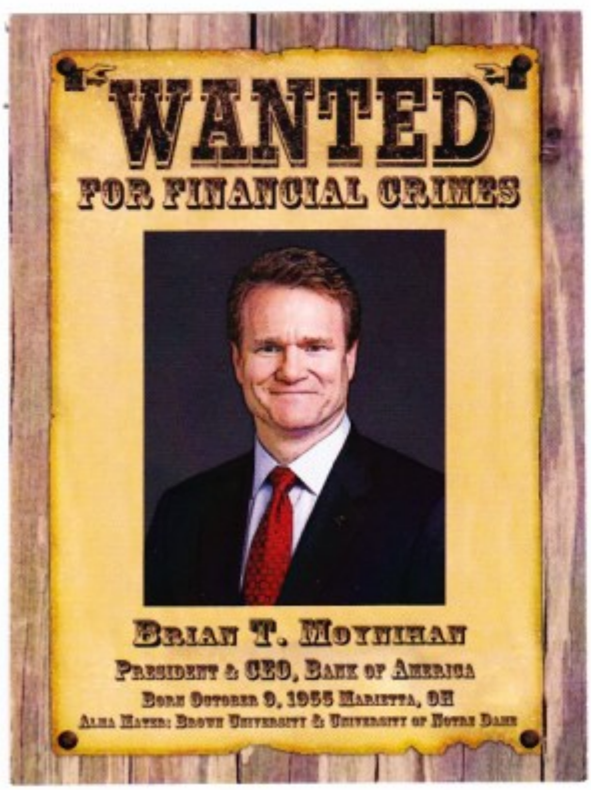
BANKSTER #10 CARD



ANATOMY OF A FINANCIAL CRIME
BRIAN MOYNIHAN

- In 2008, Bank of America acquired Countrywide, which was engaging in massive loan fraud. (*See Angelo Mozilo card for more.*)
- After the acquisition, Bank of America's General Counsel attempted to stop the illegal activities.
- He was successful until Brian Moynihan, an executive with little legal experience, was appointed to replace him. Under Moynihan as General Counsel, the illegal activities resumed.
- Moynihan was later appointed CEO of Bank of America. Under his leadership, BofA expanded its most egregious fraudulent activities, including the acceleration of improper foreclosures. Moynihan's experience as General Counsel gave him unique insight into these activities.
- As a result, a racketeering lawsuit has been brought against Moynihan.

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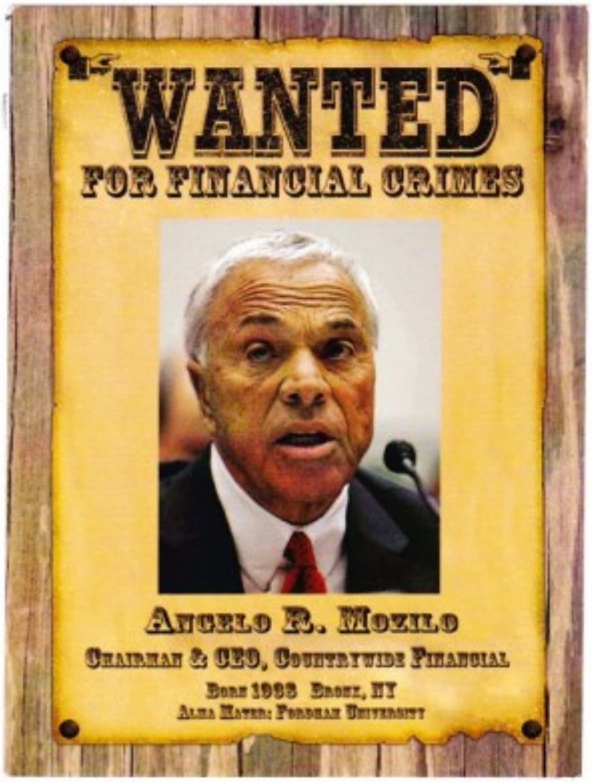
BANKSTER #7 CARD



ANATOMY OF A FINANCIAL CRIME
ANGELO MOZILO

- In order to create large volumes of subprime mortgages for securitization, Countrywide encouraged blatant fraud by falsifying loan documents, inflating appraisals, and overstating borrower incomes.
- When whistleblowers within Countrywide pointed out the widespread fraud, they were harassed and intimidated by the company.
- Countrywide also bought off politicians, including Senator Chris Dodd (D-Conn), by giving them favorable terms on their loans through a VIP mortgage program informally known as "Friends of Angelo."
- Mozilo was later fined $67.5 million by the SEC and barred from ever serving as an officer or director of any publicly-traded company.
- Countrywide paid $20 million of this fine, and Mozilo's net worth is estimated to be $600 million. So even though it was the largest individual fine in history (at the time), it was no big deal to this criminal.

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BANKSTER #8 CARD

A LITANY OF FINANCIAL CRIMES
RICHARD C. BLUM

- Blum Capital Partners is the dominant shareholder in two of the nation's largest for-profit universities, Career Education Corporation (CEE) and ITT Educational Services. This conflicts with Blum's position as Regent of the University of California
- Blum oversees the investment policy decisions for the UC system's $63 billion portfolio. Since he became Chairman of UC Regents in 2002, the UC portfolio has invested $53 million in CEE and ITT.
- UC portfolio managers were also day-trading CEE and ITT in amounts large enough to manipulate the price of their stocks. Blum Capital Partners benefited from the movements.
- Since 2004, the primary use of student fees – which Blum voted to raise – has been as collateral for bonds to fund campus construction projects.
- Many of these projects, including the Blum Center for Developing Economies at UC Berkeley, were built by URS Corporation –a firm that Blum has a large stake in.

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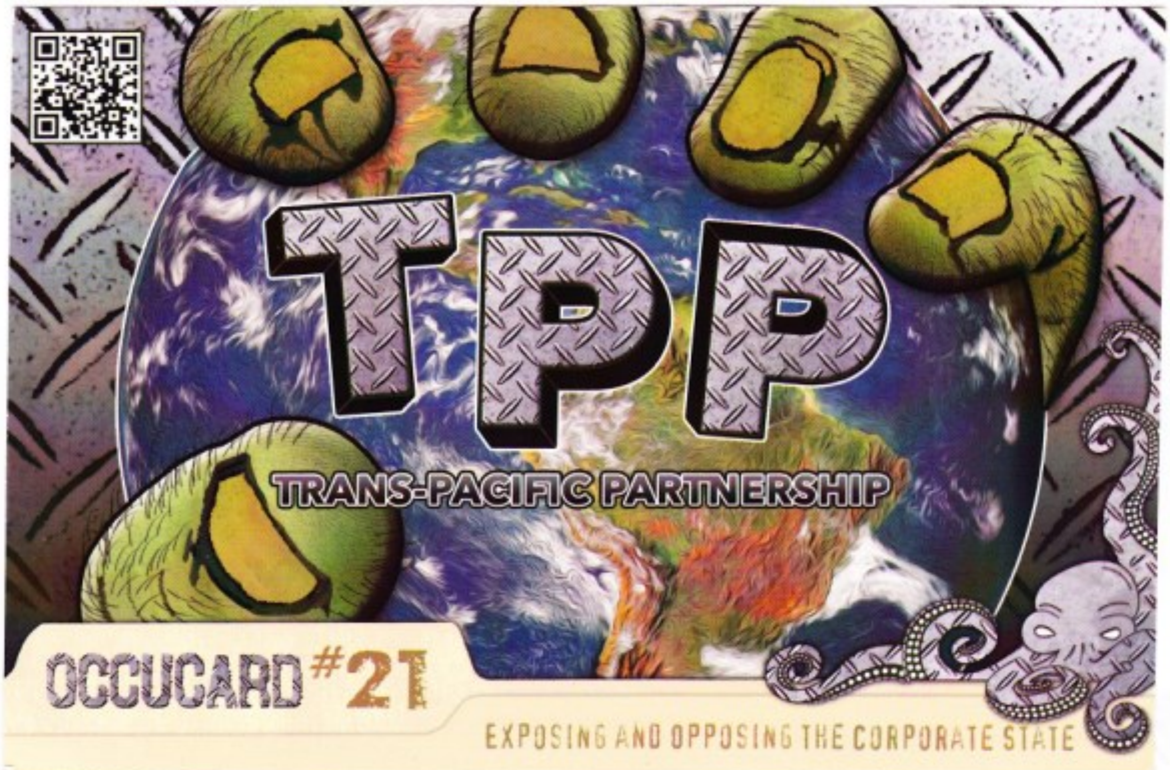
BANKSTER #9 CARD

Appendix C - Troublesome Issues & Guilty Corporations

Occucards.com has created another set of cards (postcard size) providing an overview of current issues that are ominous in their direction and goals. Topics concern various companies, policies, and government legislation. Below is an example of one of these cards, this particular one outlines the Trans Pacific Partnership (front & back). I would recommend purchasing these card sets for personal reference or as handouts for friends. The topics covered are:

- Goldman Sachs
- Corporate Personhood
- Health Care
- The Military Industrial Complex
- The Monetary System
- Monsanto
- The Prison Industrial Complex
- Climate Change
- Wells Fargo
- Drone Attacks
- Student Debt
- The Post Office
- Public Banking
- Fracking
- ALEC – American Legislative Exchange Council
- NDAA – National Defense Authorization Act
- Republicrats
- Walmart
- Austerity
- Tar Sands
- Corporate Media
- Public Banking
- TPP – Trans-Pacific Partnership
- Surveillance State
- Peak Oil
- Citigroup



The Trans-Pacific Partnership (TPP) is a new international trade pact crafted by multinational corporations and currently being negotiated in secret by the Office of the U.S. Trade Representative (USTR) along with eleven other foreign governments. Over 600 corporate advisers also have access to the text, but the public and civil society are excluded. Little was known about the TPP until a series of leaked documents was published in 2011 by the Citizens Trade Campaign, revealing what many had suspected—that the TPP is not about trade at all, but is rather a corporate power grab that circumvents domestic judicial systems and undermines national sovereignty.

If ratified, the TPP would establish a system of international tribunals allowing corporations to challenge the laws, regulations and even court decisions of any member nation (including local, county and state laws) if they are deemed to adversely impact the corporation's expected future profits. Under the TPP's "investor-state" provision, corporations would even be allowed to file *preemptive* lawsuits against proposed government actions before they are undertaken, preventing, for example, New York or other states and municipalities from passing anti-fracking legislation or enacting consumer protection laws. Judges on these tribunals would consist of corporate lawyers on temporary leave from their regular jobs with multinational corporations, and because of international treaty obligations, their decisions would supersede those of domestic courts, possibly including the U.S. Supreme Court.

Similarly, the North American Free Trade Agreement (NAFTA), negotiated in the early 1990s, forced governments to overturn many environmental and worker protection policies. NAFTA caused the elimination of hundreds of thousands of U.S. jobs, and millions of Mexican farmers who could no longer compete with heavily subsidized U.S. crops were displaced from their land, setting off a wave of desperate migration northward. The TPP will greatly accelerate this global race to the bottom as it is much larger than NAFTA; its negotiating countries already constitute 40% of the world economy and it contains "docking" provisions allowing other nations to join later.

Provisions in the TPP specifically threaten to:

- **Undermine food safety protections** by making it harder for countries to adopt regulations such as labeling laws or banning GMOs.
- **Dismantle the "Buy Local" movement** by overturning government laws designed to keep taxpayer dollars in the local economy.
- **Inhibit access to lifesaving medicine** by extending monopoly drug patents for big pharmaceuticals.
- **Curtail Internet freedom**, spur further financial deregulation, roll back environmental laws and more.

The TPP is being negotiated under unprecedented secrecy because previous attempts to pass similar "free trade" pacts have been met with widespread public opposition. Grassroots movements in the past have successfully stopped the Multilateral Agreement on Investment, the Free Trade Area of the Americas, the expansion of the World Trade Organization, and others. The Obama Administration therefore plans to bring the TPP to a "fast track" vote as early as the Fall of 2013, bypassing congressional review and public debate entirely. Therefore, we must act now, utilizing **education**, **protest** and **civil disobedience** to stop the TPP and build a broad-based movement for future battles.

GET INVOLVED!
flushthetpp.org • citizenstrade.org
citizen.org/tpp • eff.org/issues/tpp

References / more info / other cards: www.occucards.com

WWW.OCCUCARDS.COM

www.justicedesign.com

Appendix D - Famous Quotes about Non-Governmental Issuance of Currency[64]

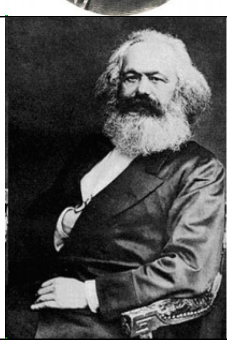
Presidents

	If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks…will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered…. The issuing power should be taken from the banks and restored to the people, to whom it properly belongs. – Thomas Jefferson in the debate over the Re-charter of the Bank Bill (1809) “I believe that banking institutions are more dangerous to our liberties than standing armies.” – Thomas Jefferson … The modern theory of the perpetuation of debt has drenched the earth with blood, and crushed its inhabitants under burdens ever accumulating. -Thomas Jefferson
	History records that the money changers have used every form of abuse, intrigue, deceit, and violent means possible to maintain their control over governments by controlling money and its issuance. -James Madison
	If congress has the right under the Constitution to issue paper money, it was given them to use themselves, not to be delegated to individuals or corporations. -Andrew Jackson
	The Government should create, issue, and circulate all the currency and credits needed to satisfy the spending power of the Government and the buying power of consumers. By the adoption of these principles, the taxpayers will be saved immense sums of interest. Money will cease to be master and become the servant of humanity. -Abraham Lincoln
	Issue of currency should be lodged with the government and be protected from domination by Wall Street. We are opposed to…provision [which] would place our currency and credit system in private hands. – Theodore Roosevelt

[64] http://www.themoneymasters.com/the-money-masters/famous-quotations-on-banking/

	Despite these warnings, Woodrow Wilson signed the 1913 Federal Reserve Act. A few years later he wrote: I am a most unhappy man. I have unwittingly ruined my country. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men. We have come to be one of the worst ruled, one of the most completely controlled and dominated Governments in the civilized world no longer a Government by free opinion, no longer a Government by conviction and the vote of the majority, but a Government by the opinion and duress of a small group of dominant men. -Woodrow Wilson
	Years later, reflecting on the major banks' control in Washington, President Franklin Roosevelt paid this indirect praise to his distant predecessor President Andrew Jackson, who had "killed" the 2nd Bank of the US (an earlier type of the Federal Reserve System). After Jackson's administration the bankers' influence was gradually restored and increased, culminating in the passage of the Federal Reserve Act of 1913. Roosevelt knew this history. The real truth of the matter is, as you and I know, that a financial element in the large centers has owned the government ever since the days of Andrew Jackson… -Franklin D. Roosevelt (in a letter to Colonel House, dated November 21, 1933)

Politicians

	When a government is dependent upon bankers for money, they and not the leaders of the government control the situation, since the hand that gives is above the hand that takes… Money has no motherland; financiers are without patriotism and without decency; their sole object is gain." – Napoleon Bonaparte, Emperor of France, 1815
	"The death of Lincoln was a disaster for Christendom. There was no man in the United States great enough to wear his boots and the bankers went anew to grab the riches. I fear that foreign bankers with their craftiness and tortuous tricks will entirely control the exuberant riches of America and use it to systematically corrupt civilization." Otto von Bismarck (1815-1898), German Chancellor, after the Lincoln assassination
	"Money plays the largest part in determining the course of history." Karl Marx writing in the Communist Manifesto (1848).

	“That this House considers that the continued issue of all the means of exchange – be they coin, bank-notes or credit, largely passed on by cheques – by private firms as an interest-bearing debt against the public should cease forthwith; that the Sovereign power and duty of issuing money in all forms should be returned to the Crown, then to be put into circulation free of all debt and interest obligations…” Captain Henry Kerby MP, in an Early Day Motion tabled in 1964.
	“Banks lend by creating credit. They create the means of payment out of nothing. ” Ralph M Hawtry, former Secretary to the Treasury. “… our whole monetary system is dishonest, as it is debt-based… We did not vote for it. It grew upon us gradually but markedly since 1971 when the commodity-based system was abandoned.” The Earl of Caithness, in a speech to the House of Lords, 1997.

Bankers

	“The bank hath benefit of interest on all moneys which it creates out of nothing.” William Paterson, founder of the Bank of England in 1694, then a privately owned bank
	“Let me issue and control a nation’s money and I care not who writes the laws.” Mayer Amschel Rothschild (1744-1812), founder of the House of Rothschild. “The few who understand the system will either be so interested in its profits or be so dependent upon its favours that there will be no opposition from that class, while on the other hand, the great body of people, mentally incapable of comprehending the tremendous advantage that capital derives from the system, will bear its burdens without complaint, and perhaps without even suspecting that the system is inimical to their interests.” The Rothschild brothers of London writing to associates in New York, 1863.
	“I am afraid the ordinary citizen will not like to be told that the banks can and do create money. And they who control the credit of the nation direct the policy of Governments and hold in the hollow of their hand the destiny of the people.” Reginald McKenna, as Chairman of the Midland Bank, addressing stockholders in 1924. “The banks do create money. They have been doing it for a long time, but they didn’t realize it, and they did not admit it. Very few did. You will find it in all sorts of documents, financial textbooks, etc. But in the intervening years, and we must be perfectly frank about these things, there has been a development of thought, until today I doubt very much whether you would get many prominent bankers to attempt to deny that banks create it.” H W White, Chairman of the Associated Banks of New Zealand, to the New Zealand Monetary Commission, 1955.

Appendix E – The Deception of the Federal Reserve System

The Deceitful Passing of the Federal Reserve Act in 1913

The Federal Reserve Act was railroaded through a carefully prepared Congressional Conference Committee meeting at a late hour, on a Monday before Christmas in 1913. The meeting was scheduled during the unlikely hours of 1.30 am to 4.30 am (when most members were sleeping) on Monday December 22, 1913. The discussion of 20 to 40 substantial differences in the House and Senate versions were supposedly described, deliberated upon, debated, reconciled and voted upon in this near-miraculous four-and-a-half timeframe. This breaks down to nine minutes per item.

At 4.30 am, a prepared report of this Committee was handed to the printers. Senator Bristow of Kansas, the Republican leader, stated on the Congressional Record that the Conference Committee had met without notifying them, and that Republicans were not present and were given no opportunity either to read or sign the Conference Committee report. The Conference report is normally read on the Senate floor. The Republicans did not even see the report. Some senators stated on the floor of the Senate that they had no knowledge of the contents of the Bill.

At 6.02 PM on 23 December, when many members had already left the Capital for the Christmas holiday, the very same day that the Bill was hurried through the House and Senate, President Woodrow Wilson signed the Federal Reserve Act of 1913 into law.

The Act transferred control of the money supply of the United States from Congress to the private banking elite.

It should not be surprising that a bill granting a few individual bankers a private money creation monopoly, encompassing the whole of the United States, was passed in such a devious and corrupted manner.

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