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 <u>*Absolutely, Positively*</u> *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. • <u>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</u>. • <u>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</u>.
2008	Great Recession	• <u>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</u>. • 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* <u>why the government bailed out AIG</u> — and insisted on giving them 100 cents on the dollar — so that they could pay off Goldman et al. <u>AIG was bailed out to bail out all their counterparties</u>.
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. • <u>The G20 nations agreed to be regulated by the newly formed FSB</u> 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 <u>has become the central bank of central banks and is the most powerful financial organization in the world</u>.
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, "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…". • 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. • 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. 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 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 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/