# BIS: Bank rescue packages, risk transferred to governments resulting in mounting public debts

By Global Research
Global Research, December 09, 2008
George Washington Blog 9 December 2008

Theme: Global Economy

The Bank for International Settlements (BIS) is often called the "central banks' central bank", as it coordinates transactions between central banks.

BIS points out in a new report that the bank rescue packages have transferred significant risks onto government balance sheets, which is reflected in the corresponding widening of sovereign credit default swaps:

> The scope and magnitude of the bank rescue packages also meant that significant risks had been transferred onto government balance sheets. This was particularly apparent in the market for CDS referencing sovereigns involved either in large individual bank rescues or in broad-based support packages for the financial sector, including the United States. While such CDS were thinly traded prior to the announced rescue packages, spreads widened suddenly on increased demand for credit protection, while corresponding financial sector spreads tightened.

In other words, by assuming huge portions of the risk from banks trading in toxic derivatives, and by spending trillions that they don't have, central banks have put their countries at risk from default.

Remember, in the U.S., the Fed is taking toxic assets as collateral for loans, and even a freedom of information lawsuit from Bloomberg has not forced Bernanke and the boys to reveal what kind of derivatives and other junk the Fed is mopping up.

The report from BIS confirms the previous statement that central banks were watching credit default swaps as the single most important economic indicator.

Source: http://georgewashington2.blogspot.com/2008/12/central-banks-central-bank-says.html

The original source of this article is George Washington Blog


---

*Articles by:* **Global Research**