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Derivatives exposure has killed CitiGroup.

By Global Research

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Citibank was the biggest, and was considered one of the most stable, banks a little while ago. But its derivatives exposure killed it.

However, Citibank was only the third largest holder of derivatives as of June.

Who were number 1 and 2?

JP Morgan holds around three times more derivatives than Citigroup. And Bank of America is number 2.

As Martin Weiss, PhD writes:

> Bank of America was a somewhat bigger player, holding $39.7 trillion in derivative bets, with 93.4% traded outside of any exchange.
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> But JPMorgan Chase was, by far, the biggest of them all, towering over the U.S. derivatives market with more than double BofA's book of bets — $91.3 trillion worth. This meant that JPMorgan Chase controlled half of all derivatives in the U.S. banking system — a virtual monopoly that tied the firm's finances with the fate of the U.S. economy far beyond anything ever witnessed in modern history. Meanwhile, $87.3 trillion, or 95.7% of Morgan's derivatives, were outside the purview of any exchange.
>
> One bank! Making bets of unknown nature and risk! Involving a dollar amount equivalent to six years of the total production of the entire U.S. economy! In contrast, Lehman Brothers, whose failure caused such a large earthquake in the global financial system, was actually small by comparison — with "only" $7.1 trillion in derivatives.***
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> At Bank of America, the [Office of the Comptroller of the Currency] calculated that, at mid-year, the bank was exposed to the tune of 194.3% of its capital. In other words, for every $1 of capital in the kitty, BofA was risking $1.94 cents strictly on the promises made by its betting partners. If about half of its betting partners defaulted, the bank's capital would be wiped out and it would be bankrupt. And remember: This was in addition to the risk that the market might go the wrong way, and on top of the risk it was taking with its other investments and loans***
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> And if you think that's risky, consider JPMorgan Chase. Not only was it the largest player, but, among the big three U.S. derivatives players, it also had the largest default exposure: For every dollar of capital, the bank was risking $4.30 on the credit of its betting partners.

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