Four US banks hold a staggering 95.9% of U.S. derivatives: The $600 Trillion Time Bomb That's Set to Explode

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Do you want to know the *real* reason banks aren't lending and the PIIGS [Portugal, Ireland, Italy, Greece, Spain] have control of the barnyard in Europe?

It's because risk in the $600 trillion derivatives market isn't evening out. To the contrary, it's growing increasingly concentrated among a select few banks, especially here in the United States.

In 2009, five banks held 80% of derivatives in America. Now, just *four* banks hold a staggering 95.9% of U.S. derivatives, according to a recent report from the Office of the Currency Comptroller.

The four banks in question: JPMorgan Chase & Co. (NYSE: JPM), Citigroup Inc. (NYSE: C), Bank of America Corp. (NYSE: BAC) and Goldman Sachs Group Inc. (NYSE: GS).

Derivatives played a crucial role in bringing down the global economy, so you would think that the world's top policymakers would have reined these things in by now – but they haven't.

Instead of attacking the problem, regulators have let it spiral out of control, and the result is a $600 trillion time bomb called the derivatives market.

Think I'm exaggerating?

The notional value of the world's derivatives actually is estimated at more than $600 trillion. Notional value, of course, is the total value of a leveraged position's assets. This distinction is necessary because when you're talking about leveraged assets like options and derivatives, a little bit of money can control a disproportionately large position that may be as much as 5, 10, 30, or, in extreme cases, 100 times greater than investments that could be funded only in cash instruments.

The world's gross domestic product (GDP) is only about $65 trillion, or roughly 10.83% of the worldwide value of the global derivatives market, according to ***The Economist***. So there is literally not enough money on the planet to backstop the banks trading these things if they run into trouble.

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