

# The Economy Collapses: Depository Trust & Clearing Corporation (DTCC) Obfuscates Seriousness of Crisis

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Today heralded the long awaited release of figures compiled by the Depository Trust & Clearing Corporation. The latter is controlled by Banks amongst which are JP Morgan and Goldman Sachs.

From their Article..

*“Reported estimates of the size of the credit default swap market have so far been based on surveys. These surveys tend to overstate the size of the market due to each party to a trade separately reporting its own side. Thus, when two parties to a single \$10 million dollar trade each report their “side” of the trade, the amount reported is \$20 million, which overstates the actual size by a factor of two since both reports relate to a single \$10 million contract. When examining the outstanding amount of actual contracts registered in the Warehouse (not separately reported “sides”) as of October 9, 2008, **credit default swap contracts registered in the Warehouse totaled approximately \$34.8 trillion (in US Dollar equivalents)**. This is down significantly from the approximately \$44 trillion that were registered in the Warehouse at the end of April this year.”*

Well some good news at least it's not the widely reported \$54 Trillion, it's just \$34.8 Trillion. Now..

*“**Less than 1%** of credit default swap contracts currently registered in the Warehouse relate to particular residential mortgage-backed securities. Mortgage-related index products also have some components relating to residential mortgages and, as a whole, also constitute a relatively small fraction of total credit default swaps registered in the Warehouse.”*

Well the Mortgage market is in Freefall so we can probably expect 1% of \$34.8 Trillion ie \$348 Billion at very high risk. So what accounts for the remaining \$34,452,000,000 ? We have to assume it's a Mix of :

## **Foreign Exchange Contracts**

Forwards and Forex Swaps

Currency Swaps

Options

## **Interest rate Contracts**

Forward rate Agreements

Interest Rate Swaps

Options

### **Equity-linked contracts**

Forwards and swaps

Options

Commodity contracts

Gold

Other Commodities

Forwards and Swaps

Options

### **Credit default swaps**

Single name instruments

Multi name Instruments

*Unallocated ?*

The exposure to destruction by CDS's was never just about exposure to Mortgages. Looking at the list above, it is plain to see that the possible vulnerable flanks are many. The DTCC summary press release neglects to address this. With companies reporting ever increasing losses, unemployment growing at an unforeseen rate and thousands of Funds going broke after trillions were lopped off the top of the Global Stock Market, the collapse can only increase. It is not contained.

There is no mention of the Credit Default Swaps done on the Financial health of entire countries, never mind Giant corporations like General Motors. The writing is on the wall for a huge proportion of the base assets involved and the associated default risk will be increasing alongside them. It's no surprise that the DTCC does not want to explore beyond the Mortgage angle. Everyone knows about the Mortgage crisis, but this was only the precipitating event - itself precipitated by a very ill basic economic base - that knocked over the first domino. The rest have already begun to fall and we see the tide coming in closer every day. This is no time for obfuscation and patronising; we need to know the Real Facts not..

*"The idea that the industry lacks a central registry for over-the-counter (OTC) credit default swaps (CDS) is grossly misleading and has resulted in inaccurate speculation on a number of matters, including the overall size of the market, its role in the mortgage crisis, and the size of potential payment obligations under credit default swaps relating to Lehman Brothers. The extent to which such speculation has fueled last week's market turmoil is difficult to determine."*

I think the Market was in turmoil, not because of paranoid speculation, but in reaction to an ever worsening economic outlook, which shows absolutely no sign of getting better anytime soon.

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