

Where has the Money Gone: Collateral lists central to understanding government's response to financial crisis

By [Global Research](#)

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Fed Refuses to Release Bank Data, Insists on Secrecy

By Mark Pittman and Craig Torres



March 5 (Bloomberg) — The Federal Reserve Board of Governors receives daily reports on bailout loans to financial institutions and won't make the information public, the central bank said in a reply to a [Bloomberg](#) News lawsuit.

The Fed refused yesterday to disclose the names of the borrowers and the loans, alleging that it would cast "a stigma" on recipients of more than \$1.9 trillion of emergency credit from U.S. taxpayers and the assets the central bank is accepting as collateral.

Fed secrecy was the focus of a Senate Banking Committee hearing today in which the panel's top two members said the central bank's reluctance to identify companies benefiting from the [American International Group Inc.](#) bailout risks undermining public confidence in the government.

"If the American taxpayer's money is at stake, and it is, big time, I believe the American taxpayers, the people, and this committee, we need to know who benefited, where this money went," said Senator [Richard Shelby](#) of Alabama, the committee's top Republican. "There is no transparency here. We are going to find out."

The bank provides "select members and staff of the Board of Governors with daily and weekly reports" on Primary Dealer Credit Facility borrowing, said [Susan E. McLaughlin](#), a senior vice president in the markets group of the Federal Reserve Bank of New York in a sworn statement. The documents "include the names of the primary dealers that have borrowed from the PDCF, individual loan amounts, composition of securities pledged and rates for specific loans."

Information Shared

The Board of Governors contends that it's separate from its member banks, including the Federal Reserve Bank of [New York](#) which runs the lending programs. Most documents relevant to the Bloomberg suit are at the Federal Reserve Bank of New York, which isn't subject to FOIA law, according to the Fed. The Board of Governors has 231 pages of

documents, which it is denying access to under an exemption under trade secrets.

"I would assume that information would be shared by the Fed and the New York Fed," said U.S. Representative [Scott Garrett](#), a New Jersey Republican. "At some point, the demand for transparency is paramount to any demand that they have for secrecy."

Bloomberg sued Nov. 7 under the U.S. [Freedom of Information](#) Act, requesting details about the terms of 11 Fed lending programs.

The Bloomberg lawsuit said the collateral lists "are central to understanding and assessing the government's response to the most cataclysmic financial crisis in America since the Great Depression."

'Deeply Troubled'

Fed Vice Chairman [Donald Kohn](#) told the Senate panel today that revealing the names of AIG's counterparties would make companies less likely to do business with any recipient of government aid, risking further turmoil at the insurer and financial markets.

"I don't consider that an adequate" response, "to put it mildly," Committee Chairman [Christopher Dodd](#), a Connecticut Democrat, told Kohn at the hearing. "The public is deeply, deeply troubled."

Shelby told the Fed vice chairman that "your answer here is very disturbing."

"People want to know what you've done with this money," he said.

Kohn said the Fed wouldn't reveal the counterparties in Maiden Lane III, a company formed by the central bank to purchase collateralized debt obligations on which AIG's financial products unit had written credit-default swaps.

"The Fed and the Treasury can be secretive for a while, but not forever," Shelby said.

Commercial, Consumer Loans

The Fed stepped into a rescue role that was the original purpose of the Treasury's \$700 billion [Troubled Asset Relief Program](#). The central bank's loans don't have the oversight safeguards that Congress imposed upon the TARP.

Total Fed lending exceeded \$2 trillion for the first time Nov. 6 after rising by 138 percent, or \$1.23 trillion, in the 12 weeks since Sept. 14, when central bank governors relaxed collateral standards to accept securities that weren't rated AAA. Fed lending as of Feb. 25 was \$1.92 billion.

On Feb. 23, the Fed disclosed a breakdown by broad categories for \$1.81 trillion of collateral pledged by banks and bond dealers as of Dec. 17 after Congress demanded more transparency from the central bank.

\$11.7 Trillion

The largest portions of collateral being held by the Fed at that time were \$456 billion in commercial loans, \$203 billion in consumer loans and \$159 billion in residential mortgages,

according to the central bank's [Web](#) site. It didn't identify any loans or provide their credit ratings and said it will update the figures about every two months.

Government loans, spending or guarantees to rescue the country's financial system total more than \$11.7 trillion since the international credit crisis began in August 2007, according to data compiled by Bloomberg. In return, banks left collateral with the central bank that effectively acts as a credit line that lenders can draw on without posting additional assets.

Bloomberg News, a unit of New York-based Bloomberg LP, on May 21 asked the Fed to provide data on collateral posted from April 4 to May 20. The central bank said June 19 that it needed until July 3 to search documents and determine whether it would make them public. Bloomberg didn't receive a formal response that would let it file an appeal within the legal time limit.

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