Record Nr. UNINA9910788229603321 Autore Aitken James **Titolo** Counterparty Risk, Impacton Collateral Flows and Role for Central Counterparties / / James Aitken, Manmohan Singh Washington, D.C.:,: International Monetary Fund,, 2009 Pubbl/distr/stampa **ISBN** 1-4623-6484-5 1-4527-7428-5 1-4518-7320-4 1-282-84385-0 9786612843853 Descrizione fisica 1 online resource (17 p.) Collana **IMF** Working Papers Altri autori (Persone) SinghManmohan Disciplina 332.63232 Soggetti Credit - Risk assessment Risk management - United States Banks and banking - United States Finance - United States Banks and Banking Finance: General Money and Monetary Policy Industries: Financial Services International Finance Forecasting and Simulation Portfolio Choice Investment Decisions International Financial Markets Financial Institutions and Services: Government Policy and Regulation **Banks Depository Institutions** Micro Finance Institutions Mortgages Monetary Systems Standards Regimes Government and the Monetary System **Payment Systems**

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Contents; I. Introduction; II. Counterparty Risk; Figures; 1. Illustrative Repricing of Derivatives When a Large Financial Institution Fails; III. The Changing Profile of Counterparty Risk in the United States; IV. The Adverse Impact of Counterparty Risk on Global Liquidity; 2. Counterparty Liabilities of Major U.S. Banks; Tables; 1. Snapshot of Reduced Collateral Posting Among LCFIs; 2. Securities Lending by Major Custodians; V. Regulatory Thrust for a Central Counterparty; 3. Cash Holding by Major LCFIs; VI. Conclusions and Policy Implications;

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Sommario/riassunto

Counterparty risk in the United States stemming from exposures to OTC derivatives payables (after netting) is now concentrated in five banks?Goldman Sachs, JPMorgan, Bank of America, Morgan Stanley and Citi. This note analyzes how such risks have shifted over the past year. We estimate that the adverse impact of counterparty risk on high-grade collateral flows and global liquidity due to decrease in rehypothecation, reduced securities lending, and hoarding of cash by major banks is at least \$5 trillion. In order to mitigate counterparty risk, there have been regulatory initiatives to establish central counterparties (CCPs). From a policy perspective, counterparty risk remains large at present and recent experience has shown that OTC derivative positions are not supported by sufficient capital, constituting a major risk for participants in this market.