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Autore	Aitken James
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International Monetary Arrangements and Institutions  
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Nota di contenuto	Contents; I. Introduction; II. Rehypothecation in the United States and the United Kingdom; III. Rehypothecation After Lehman's Bankruptcy; Tables; 1. Collateral Received that can be Pledged is Decreasing; 2. Securities Lending by Major Custodians; IV. Conclusion; Appendix; 1. Securities Exchange Act's Rule 15c3-3; References
Sommario/riassunto	Rehypothecation is the practice that allows collateral posted by, say, a hedge fund to their prime broker to be used again as collateral by that prime broker for its own funding. In the United Kingdom, such use of a customer's assets by a prime broker can be for an unlimited amount of the customer's assets. And moreover, there are no customer protection rules (such as in the United States under the Securities Act of 1933). The paper shows evidence that, following Lehman's bankruptcy, the extent of rehypothecation has declined substantially, in part because investment firms fear losing collateral if their prime broker becomes insolvent. While less rehypothecation reduces counterparty risk in the system, it also reduces market liquidity.