

Title: Central Banks backstopping massive losses (Connecting The Dots)

Author: disoriented_llama

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We may be early, but we are not wrong.

We're seeing posts today about how [UK Pension funds hit with \$100 million margin call](https://www.reddit.com/r/Superstonk/comments/xqdcg4/uk_pension_fund_hit_with_100_million_margin_call/) ([Sauce](https://www.risk.net/derivatives/7954682/uk-pensions-hit-with-ps100m-margin-calls-as-gilts-and-sterling-slide)) and these **pension** portfolios requested **emergency capital** to **keep positions open**:

>UK **pension funds** have been hit with variation **margin calls** of as much as £100 million (\$107 million) each, after sharp falls in gilts and sterling pushed mark-to-market valuations on derivatives and leveraged repo positions heavily against them. Simeon Willis, chief investment officer of consultancy XPS Pensions Group, says he knows of three different fund managers running **pooled pension portfolios** that have requested emergency capital from clients to keep positions open.

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>[UK pensions hit with £100m margin calls as gilts and sterling slide (Risk.net)](https://www.risk.net/derivatives/7954682/uk-pensions-hit-with-ps100m-margin-calls-as-gilts-and-sterling-slide)

■ Pensions trying to keep positions open? What's going on???

We also see news about how [Pension funds would have faced 'mass defaults' today without BoE action (Yahoo News UK)](https://uk.news.yahoo.com/pension-funds-collapsed-today-without-160400752.html?guccounter=1&guce;_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce;_referrer_sig=AQAAALv_0ulam-bYuC9bp9KDv7ESx-Jpo4QDO9NdFO00_LMVxjhxwhq_xCEGcxncY75bGwZM1zDaz5ZuFuxeaYJhu0UIV0HL_D5GhDPyXWIPStb1biNhyuN0Enn-8hPDkobztR9fmuAKsWKv7sd9hTXxbugV9ep8CWU7Fz9rx4rbrKSU) and [Mass insolvency of pension funds would have happened TODAY - Bank of England 'had to act' (Express UK)](https://www.express.co.uk/news/politics/1675314/Bank-of-England-long-term-debt-bonds-pound-sterling-uk-financial-crisis-latest-update):

>The [Bank of England](https://www.express.co.uk/latest/bank-of-england) was forced to take emergency action in a desperate attempt to stabilise the UK economy to stop mass insolvencies of pension funds today, it has been claimed. Earlier today, the BoE announced it would be carrying out **temporary purchases of long-dated UK government bonds**

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>"Had they not intervened, there would have been **mass insolvencies of pension funds** by THIS AFTERNOON."

So, the Bank of England saw the potential for **mass insolvencies of pension funds** and decided to purchase long-dated UK government bonds in a bailout (see also, [Reuters](https://www.reuters.com/world/uk/why-is-bank-england-acting-again-what-next-uk-crisis-2022-09-28/)). (Unsurprisingly, SuperStonk apes caught onto this news too: [The Bank of England will carry out temporary purchases of long-dated UK government bonds from 28 September until 14th October](https://www.reddit.com/r/Superstonk/comments/xq99nb/the_bank_of_england_will_carry_out_temporary/).)

Pensions caught my eye because apes (including myself) have been warning about how the SEC allowed the OCC unlimited access to money in **pension funds** and **insurance companies** (see [The Fox is Guarding the Hen House: The SEC is allowing the OCC unlimited access to money in pension funds and insurance companies, Sept 3, 2022](https://www.reddit.com/r/Superstonk/comments/x56h7d/the_fox_is_guarding_the_hen_house_the_sec_is/) and apes even tried to [COMMENT TO THE SEC: Don't let the OCC use Main St money to pay off degenerate Wall St gambling debts! Aug 9, 2022](https://www.reddit.com/r/Superstonk/comments/wkfgbu/comment_to_the_sec_dont_let_the_occ_use_main_st/))

Interestingly, pension funds in England are having a particularly bad time right now. England is part of the United Kingdom where rehypothecation is *unlimited*. (See [The (sizable) Role of Rehypothecation in the Shadow Banking System](https://www.imf.org/external/pubs/ft/wp/2010/wp10172.pdf), a 2010 IMF Working Paper, and my prior post on this [Estimating Excess GME Share Liquidity From Borrow Data & Churn Factor ■](https://www.reddit.com/r/Superstonk/comments/xorwoi/estimating_excess_gme_share_liquidity_from_borrow/).)

[The (sizable) Role of Rehypothecation in the Shadow Banking System [pg 4]](https://preview.redd.it/vsx99qtvtnq91.png?width=1696&format=png&auto=webp&s=89a0c88d6ba83fd2108da9ed91d8e46904338eb2)

Rehypothecation is when posted collateral (say, from a hedge fund to its prime broker) is used again as collateral by the prime broker for its own funding.

[The (sizable) Role of Rehypothecation in the Shadow Banking System [Abstract]](https://preview.redd.it/l7wjr3bunq91.png?width=1772&format=png&auto=webp&s=0fa1b4a78bc98278229cb82f47d1ebe8c5e7e26f)

This type of double-counting could be particularly problematic if the same assets are counted over and over again possibly [from 4x up to 10x as explained in my prior post](https://www.reddit.com/r/Superstonk/comments/xorwoi/estimating_excess_gme_share_liquidity_from_borrow/). That's a huge house of cards built by hedge funds, pension funds and insurance companies teetering on the brink of collapse.

[The (sizable) Role of Rehypothecation in the Shadow Banking System [pg 6]](https://preview.redd.it/6n6hn4vnq91.png?width=1704&format=png&auto=webp&s=daf85fb8fbf2a9bef7f2f2a0056ee48a96fb4b70)

How did it get so bad? Well, apes have also found publicly available documentation describing how Goldman and Bank of America/Merrill Lynch would intentionally Fail To Deliver stocks and cause large scale naked short selling with the help of hedge funds and clearing firms. (See [Goldman and Bank of America/Merrill Lynch tried to hide evidence they purposefully Fail To Deliver on trades during Overstock trial](https://www.reddit.com/r/Superstonk/comments/x3oixj/goldman_and_bank_of_america_merrill_lynch_tried_to/) and ["Investment banks like Goldman will loan out their own clients' stock to hedge funds to short, as well as develop close relationships with institutional clients like pension funds, mutual funds and banks to get them to agree to let Goldman borrow their stocks for use in hedge fund short sales."](https://www.reddit.com/r/Superstonk/comments/x0rlsk/investment_banks_like_goldman_will_loan_out_their/)) Merrill Lynch would call clients "the day of buy-ins to tell him the volume to encourage him to **sell into the buy in to maintain the fail**" thereby **keeping (short) positions open**. (Goldman Sachs played the same sham-close out game "[s]elling into buy-in negat[ing] the economic substance of the buy-in." "[Sauce](https://www.reddit.com/r/Superstonk/comments/x3oixj/goldman_and_bank_of_america_merrill_lynch_tried_to/))

Instead of going bankrupt and getting delisted, some heavily shorted companies are surviving and thriving which is exposing the **unlimited risk** of those short positions.

■ CITADEL SECURITIES FINANCE (UK) LIMITED

We can't ignore the elephant in the room with all this going down in the United Kingdom. Citadel (various entities including Citadel Securities Finance (UK) Ltd) raising huge sums ranging from \$600M to \$1.2B. See [I think Citadel Europe was threatened with liquidation for \$600m - accounts to '21 have just gone live](https://www.reddit.com/r/Superstonk/comments/xq7j2g/i_think_citadel_europe_was_threatened_with/) by [u/habitualpotatoes/](https://www.reddit.com/user/habitualpotatoes/) earlier today:

https://preview.redd.it/en62gtwlznq91.png?width=692&format=png&auto=webp&s=6ff06d8291f27ecf1942478a7a70046f27c41bd6

While [Citadel is raising money at just above junk status](https://www.reddit.com/r/Superstonk/comments/

wqtvie/citadel_bonds_rated_one_step_above_junk_status/), let's talk about banks.

Banks: down, but never out

Banks seem to have an infinite amount of money backing them. Earlier this year, u/laflammaster found Fed H8 data showing [ALL UNREALIZED GAINS ARE IN THE NEGATIVE FOR ALL BANKS (Jan 2022)](https://www.reddit.com/r/Superstonk/comments/s9q726/fed_h8_data_update_get_your_helmets_on_net/) prompting the Federal Reserve to simply stop reporting the bad news: [LOOK LIKS THE FED DOES NOT LIKE ME SNOOPING ABOUT (image 2). H8 Update. Biggest drop in unrealized gains of \$18.4B to -\$73.8B. Big banks drop by \$15.9B to -\$51.2B. Total Treasury/MBS drop \$9.4B to -\$44.6B, and big banks by \$7.4B to -\$25.4B March 2022)](https://www.reddit.com/r/Superstonk/comments/to9ksb/look_liks_the_fed_does_not_like_me_snooping_about/).

And, when it gets so bad a central bank gets wiped out, it just creates more money.

>Australia's central bank on Wednesday said its equity had been ****wiped out by losses**** suffered on pandemic-era bond buying, but ****its ability to create money meant it was not insolvent****

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>Bullock noted that while this would bankrupt a normal commercial entity, the RBA's liabilities are guaranteed by the government.

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>"Furthermore, since ****it has the ability to create money****, the Bank can continue to meet its obligations as they become due and so it is not insolvent,"

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>Bullock noted ****other central banks around the world would be facing similar losses**** on their emergency stimulus programs, though many did mark their assets to market like the RBA.

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>[CNBC: Australia's central bank has equity wiped out by billions in bond losses](<https://www.cnn.com/2022/09/21/australias-central-bank-has-equity-wiped-out-by-billions-in-bond-losses.html>) (Sept 20, 2022)

So, as it turns out, *****central***** *****banks do have an infinite amount of money backing them*****. (Obviously, the downside of printing more money is [inflation....

ouch](https://www.reddit.com/r/Superstonk/comments/wkw9vu/cpi_85/).)

The Bank of England is the central bank of the United Kingdom ([Wikipedia](https://en.wikipedia.org/wiki/Bank_of_England)).

Basically, Central Banks are now propping up the house of cards to keep positions open.

Remember, Positions Are Still Open

UK pension funds are raising emergency capital to ****keep their positions open**** while emergency action by the Bank of England merely stops mass insolvencies of pension funds ***for now*** (buying time [until Oct 14](https://www.reddit.com/r/Superstonk/comments/xq99nb/the_bank_of_england_will_carry_out_temporary/)).

What positions could the UK central bank be propping up and keeping open? Well, meme stocks (especially GME ■, but also ■/■ and ■) are ****all**** heavily shorted with high FTDs and extreme short interest](https://www.reddit.com/r/Superstonk/comments/xlagir/ftds_by_settlement_dates_and_what_they_might_mean/) where the only possible explanation is shares are owned multiple times through unlimited rehypothecation (with the exception of Directly Registered Shares as those can only be owned once).

****As for me, I just like the stock(s).****

EDIT:

See also [ITV's Robert Preston on UK pension crisis: "These are largely leveraged funds...when they buy gilts, they frequently use them as collateral to raise cash...then use the cash to buy more gilts, then pledge the gilts again and buy more gilts, and so on..." Isn't this like rehypothection?](https://www.reddit.com/r/Superstonk/comments/xqsfsc/itvs_robert_preston_on_uk_pension_crisis_these/) by [u/throwawaylurker012](<https://www.reddit.com/user/throwawaylurker012/>) which explains the pension crisis is due to rehypothection in the UK by leveraged funds. (Also, [u/throwawaylurker012](<https://www.reddit.com/user/throwawaylurker012/>)'s comment below.)