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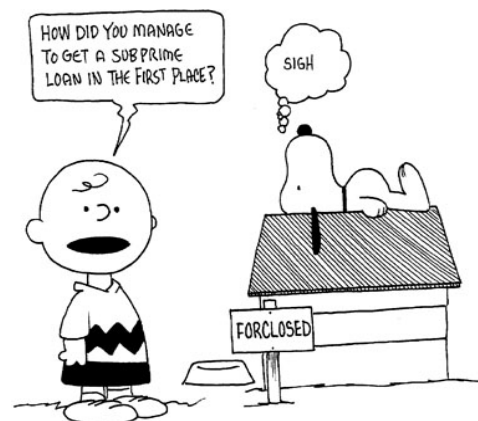
# Chronology of the Financial Crisis

## USA - Europe - Switzerland

### I. **Until May 2007: US Subprime-Crisis**

Home sales in the USA plunge and house prices decline. Because of the drastic rise of the interest rate the subprime mortgage industry collapses. As a result thereof house prices decrease further spreading the problems relating to the subprime mortgage market to near-prime and prime mortgage markets.

The crisis began to affect the financial sector in February, when HSBC wrote down its holdings of subprime-related MBS by \$10.5 billion, the first major subprime related loss to be reported.



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### 1. **USA**

#### **June 2003**

Greenspan lowers Fed's key rate to 1%, the lowest in 45 years. ([UIOWA](http://UIOWA) | original source: [Bloomberg](http://Bloomberg))

#### **Between 2004 and 2006: Money Gets Expensive**

US interest rates rise from 1% to 5.35%, triggering a slowdown in the US housing market. Homeowners, many of whom could only barely afford their mortgage payments when interest rates were low, begin to default on their mortgages. Default rates on sub-prime loans - high risk loans to clients with poor or no credit histories - rise to record levels. The impact of these defaults were felt across the financial system as many of the mortgages had been bundled up and sold on to banks and investors. ([BBC NEWS](http://BBC NEWS))

Lenders make \$640 billion in subprime loans: 20% of all mortgage lending was subprime. ([UIOWA](http://UIOWA) | original source: [CNN](http://CNN))

#### **May 2006: The subprime crisis claims its first victim**

##### **May 5, 2006**

Possibly the first casualty of the looming subprime crisis, Kirkland, Washington based Merit Financial Inc. files for bankruptcy and closes its doors, firing all but 80 of its 410 employees, kept to wind down the business. Chief financial officer, Ryan Kidd, said that Merit's marketplace had declined about 40% and sales were not bringing in enough revenue to support the overhead of running the company. ([UIOWA](http://UIOWA) | original source: [settlepi](http://settlepi))

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## August 26, 2006

Defaults on subprime mortgages start to occur much earlier in the mortgage process. Investors and analysts believe this trend could be the result of lax underwriting quality or a sign of a weakening mortgage credit market. ([UIOWA](#) | original source: [Wei](#))

## January 3, 2007

Ownit Mortgage Solutions Inc. files for Chapter 11 bankruptcy protection. It owed Merrill Lynch around \$93 million when filing. ([UIOWA](#))

Citigroup reported that net income had fallen by 12% in 2006, to \$21.5 billion. The financial giant also parted company with Todd Thomson, its head of global wealth management, and is replacing him with Sallie Krawcheck, currently chief financial officer. *The Economist*, 27 January 2007, p. 7)

Ford reports an annual loss of \$12.7 billion, its biggest ever. The carmaker is suffering from a persistent decline in sales [*due to illiquidity on the consumer market*] and is busily restructuring itself. (*The Economist*, 3 February 2007, p. 7)

## February 2007: Subprime industry collapse

### February 5, 2007

Mortgage Lenders Network USA Inc., 15<sup>th</sup> largest subprime lender with \$3.3 billion in loans funded in third quarter 2006, files for Chapter 11 bankruptcy protection. The 26<sup>th</sup> in largest subprime lender ResMae Mortgage Corp. files for Chapter 11. ResMae made \$7.7 billion in subprime loans in 2006. ([UIOWA](#))

### February 27, 2007

The Federal Home Loan Mortgage Corporation (Freddie Mac) announces that it will no longer buy the most risky subprime mortgages and mortgage-related securities. ([St. Louis Fed](#))

Stock markets around the world fall precipitously, sparked by a drop of 8.8% in the Shanghai Composite Index, which was triggered by a threat of tighter regulation on trading — later withdrawn. As investors in Asia and Europe took fright, American markets also digested comments from Alan Greenspan, the former head of the Federal Reserve, concerning a possible recession, as well as some poor economic data. The Dow Jones Industrial Average had its worst day in almost four years. (*The Economist*, 3 March 2007, p. 7)

On America's housing market sales of existing homes rise to an annual rate of 6.46m in January, the highest level for seven months. But after increasing in December, the median price of an existing home fell by nearly 5%, to \$210,600. Separate data for the smaller market in new homes showed that sales plunged in January by 16.6%, to an annual rate of 937,000—the biggest drop in 13 years. (*The Economist*, 3 March 2007, p. 7)

## March 2007: Wall Street is hit by subprime fears

### March 8, 2007

Biggest US house builder DR Horton warns of huge losses from sub-prime fall-out. ([BBC](#))

### March 9, 2007

New Century Financial announces it will stop making loans and needs emergency financing to survive. Stock price goes from \$15 at the beginning of March to \$3.21 when announcement is made. ([UIOWA](#))

### March 13, 2007

The value of USA subprime mortgages is estimated at \$1.3 trillion. ([MSNBC](#))

### March 16, 2007

US-based sub-prime firm Accredited Home Lenders Holding said it would sell \$2.7bn of its sub-prime loan book - at a heavy discount - in order to generate some cash for its business. ([BBC](#))

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The bad news about America's subprime-mortgage market dented investor confidence again. The Mortgage Bankers Association reported a rise in mortgage defaults and activity in home foreclosures in the subprime market, which lends to borrowers with weak credit. Meanwhile, trading was suspended in New Century Financial after it indicated it faced bankruptcy; other subprime lenders showed increasing signs of being in financial trouble. (The Economist, 17 March 2007, p. 7)

Anxiety about the banks' exposure to the subprime market and the knock-on effects on the economy fed volatility in stock markets around the world, which had only slightly recovered from a clobbering two weeks ago. (The Economist, 17 March 2007, p. 7)

### **March 20, 2007**

People's Choice Home Loan files for Chapter 11. ([UIOWA](#))

Ben Bernanke assured Congress that he would continue to watch the subprime-mortgage market carefully. However, the Federal Reserve's chairman told the Joint Economic Committee that inflation remained the Fed's "predominant policy concern". (The Economist, 31 March 2007, p. 9)

### **April 2, 2007**

US home sales fall sharply. ([BBC](#))

On the same day the leading subprime mortgage lender New Century Financial Corporation files for Chapter 11 bankruptcy protection and cuts half of its workforce. ([St. Louis Fed](#) | original source: [SEC Filing](#))

Citigroup unveiled a much trailed restructuring plan saying it would shed 17,000 jobs (5% of its workforce) in an effort to cut costs. The world's biggest financial institution is responding to pressure from shareholders to rein in its operating expenses, which last year grew at twice the rate of its revenues. (The Economist, 14 April 2007, p. 9)

### **April 17, 2007**

US government-backed lenders try to tackle sub-prime crisis. ([BBC](#))

### **May 3, 2007**

GM finance unit loses heavily on sub-prime mortgages. ([BBC](#))

A sluggish housing market was given as the main explanation as to why America's economy grew at an annualised rate of 1.3% in the first quarter, the slowest growth in four years. (The Economist, 5 May, p. 7)

### **May 17, 2007**

Federal Reserve Chairman Ben Bernanke believes "the effect of the troubles in the subprime sector on the broader housing market will likely be limited, and we do not expect significant spillovers from the subprime market to the rest of the economy or to the financial system. The vast majority of mortgages, including even subprime mortgages, continue to perform well. Past gains in house prices have left most homeowners with significant amounts of home equity, and growth in jobs and incomes should help keep the financial obligations of most households manageable". ([Federal Reserve Speeches](#))

A raft of statistics indicated that the housing market in America is still anaemic and might remain so for some time. The number of building permits, a signal of future construction, fell in April to its lowest level for ten years. The housing-market slump continued to have knock-on effects. Quarterly net profit at Home Depot, America's biggest home-improvement retailer, dropped by 30%, compared with last year, to \$1 billion. (The Economist, 19 May 2007, p. 9)

### **May 21, 2007**

Business economists forecast US economic slowdown due to sub-prime crisis. ([BBC](#))

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## 2. Europe

### January 2007

In a decision that took markets by surprise, the Bank of England raises its key interest rate by one-quarter of a percentage point to 5.25%. Britain's inflation rate has recently crept up to its highest level in a decade. (The Economist, 13 January 2007, p. 7)

### February 2007: First major subprime related loss in the financial sector

HSBC said that high rates of bankruptcy in America's subprime mortgage market meant it would take a much higher charge than expected (estimated to be around \$10.5 billion) on bad debts for 2006. (The Economist, 7 February 2007, p. 9)

HSBC replaced the head of its North American unit, which has been reeling from losses in the subprime mortgage market. Meanwhile, the share price of NovaStar Financial plunged by 40% as it revealed losses in the subprime market. (The Economist, 24 February 2007, p. 9)

### February 10, 2007

The Group of Seven Finance Ministers meets in Essen, Germany to discuss worldwide financial problems. One of the main concerns is the lack of regulation of hedge funds. Germany says this could be a source of systematic risk for the financial system where the US believed market discipline is the best way to address the issue. Henry Paulson noted that the US residential housing market had been cooling over the last year but appears to have stabilized. ([UIOWA](#))

### March 14, 2007

The European Central Bank (ECB) raises the rate on the deposit facility by 25 basis points to 2.75%. ([ECB](#))

### May 30, 2007

UK sub-prime lender Kensington agrees takeover. ([BBC](#))

## 3. Switzerland

### Until 2005

The merger between Union Bank of Switzerland and Swiss Bank Corporation resulted in the creation UBS AG, a huge new bank with total assets of more than \$590 billion. The merger pulled together the banks' various asset management businesses to create the world's largest money manager, with approximately \$910 billion in assets under management. ([NYT](#))

By 2003, UBS had risen to fourth place from seventh in global investment banking fees earning \$2.1 billion of the \$39 billion paid to investment banks that year, increasing 33%. ([Bloomberg](#))

"We want to be number one in global investment banking," the dapper 54-year-old Ospel tells FORBES. ([FORBES](#))

### June 2005

The UBS' Dillon Read Capital Management is founded as a response to the fact that several UBS investment bankers treat to leave the company and start working in the more lucrative hedge fund industry. ([BILANZ](#))

### January 2006

UBS Annual Review 2006: In 2005, pre-tax profit, at CHF 4,161 million, was up 20% from the pre-goodwill result in 2004 (Global Wealth Management & Business Banking); we had a very strong full-year result in 2005. Pre-tax profit was CHF 1,057 million, an increase of 55% from the 2004 pre-tax profit (before goodwill) of CHF 681 million (Global Asset Management); 2005 was our most profitable year since 2000. Pre-tax profit was CHF 5,181 million, up 12% from 2004. Before goodwill, pre-tax profit was up 6% (Investment Bank). ([UBS](#))

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## January 2007

UBs Annual Review 2006: In 2006, pre-tax profit, at a record CHF 5,203 million, was up 25% compared with 2005 (Global Wealth Management & Business Banking); we had a very strong full-year result in 2006. Pre-tax profit in 2006 was CHF 1,392 million, up from CHF 1,057 million a year earlier. Compared with 2005, the increase reflects higher management fees in all businesses and alternative and quantitative investments' performance fees (Global Asset Management); this was our most profitable year ever. Pre-tax profit in 2006 was CHF 5,943 million, up 15% from 2005. Total operating income in 2006 was CHF 21,787 million, up 25% from CHF 17,484 million a year earlier (Investment Bank). ([UBS](#))

## February 2007

Credit Suisse Group buys \$19.1 million in assets in auction. ([UIOWA](#))

## March 2007

The Swiss National Bank (SNB) raises the three-month Libor target range by 25 basis points to 1.75%-2.75%. ([SNB](#))

## II. June – September 2007: First Warning Signs – Hedge Funds

Within less than a quarter of a year three asset managers worldwide are forced to close hedge funds: on May 3<sup>rd</sup> UBS announces that the proprietary funds currently managed by Dillon Read Capital Management (DRCM) within Global Asset Management will transition to the Investment Bank. On July 31<sup>st</sup> the Bear Stearns High-Grade Structured Credit Fund and the Bear Stearns High-Grade Structured Credit Enhanced Leveraged Fund are liquidated. And finally on August 9<sup>th</sup> BNP Paribas suspends the investment funds Parvest Dynamic ABS, BNP Paribas ABS EURIBOR and BNP Paribas ABS EONIA.

### 1. USA

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#### June – July 2007: First Downgradings

##### June 1, 2007

Standard and Poor's and Moody's Investor Services downgrade over 100 bonds backed by second-lien subprime mortgages. ([St. Louis Fed](#) | original source: [Congressional Testimony](#))

##### June 7, 2007

Bear Stearns informs investors that it is suspending redemptions from its High-Grade Structured Credit Strategies Enhanced Leverage Fund. ([St. Louis Fed](#) | original source: [Bloomberg](#))

##### June 14, 2007

Senior US legislator Barney Frank says Fed could lose its authority to regulate mortgage business. ([BBC](#))

##### June 22, 2007

Bear Stearns revealed it had spent \$3.2bn (£1.5bn) bailing out two of its funds exposed to the sub-prime market. The bailout of the fund was the largest by a bank in almost a decade. ([BBC](#))

##### June 28, 2007

The Federal Open Market Committee (FOMC) votes to maintain its target for the federal funds rate at 5.25 percent. ([St. Louis Fed](#) | original source: [Federal Reserve Press Release](#))

##### June 29, 2007

Bear Stearns fires its head of asset management and hires Jeffrey Lane find out what went wrong at its hedge funds. ([BBC](#))

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### July 11, 2007

Standard and Poor's places 612 securities backed by subprime residential mortgages on a credit watch. ([St. Louis Fed](#) | original source: [Standard and Poor's Ratings Direct](#))

### July 13, 2007

US industrial firm General Electric decided to sell the WMC Mortgage sub-prime lending business that it had bought in 2004. "The mortgage industry has greatly changed since the purchase of WMC," said its chief executive, Laurent Bossard. ([BBC](#))

### July 18, 2007

Bear Stearns told investors that they will get little, if any, money back from the two hedge funds that the lender was forced to rescue. ([BBC](#))

### July 19, 2007

Fed comments shake global shares. ([BBC](#))

### July 20, 2007

Federal Reserve chairman Ben Bernanke warned that the crisis in the US sub-prime lending market could cost up to \$100bn. ([BBC](#))

### July 24, 2007

Rising defaults on sub-prime loans hit profits at Countrywide, largest mortgage lender. Countrywide Financial Corporation warns of "difficult conditions". ([BBC](#) | [St. Louis Fed](#) | original source: [SEC Filing](#))

### July 26, 2007

Bear Stearns seized assets from one of its problem-hit hedge funds as it tried to stem losses. Shares fell 4.2% in five sessions, its worst weekly decline in almost five years. ([BBC](#))

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### July 27, 2007

Worries about the sub-prime crisis hammered global stock markets and the main US Dow Jones stock index slipped. ([BBC](#))

### July 31, 2007: It's a Bear Market Out There

Bear Stearns stopped clients from withdrawing cash from a third fund, saying it has been overwhelmed by redemption requests. The lender also filed for bankruptcy protection for the two funds it had to bail out earlier. These two hedge funds invested in various types of mortgage-backed securities. ([BBC](#) | [St. Louis Fed](#) | original source: [U.S. Bankruptcy Filing](#))

### August 3, 2007

Shares fall heavily on fears of sub-prime losses and global credit crunch. ([BBC](#))

### August 6, 2007

American Home Mortgage Investment Corporation, one of the largest US independent home loan providers, files for Chapter 11 bankruptcy protection after laying off the majority of its staff. The company said it was a victim of the slump in the US housing market that had caught out many sub-prime borrowers and lenders. ([BBC](#) | [St. Louis Fed](#) | original source: [SEC Filing](#))

### August 7, 2007

The FOMC votes to maintain its target for the federal funds rate at 5.25 percent. ([St. Louis Fed](#) | original source: [Federal Reserve Press Release](#))

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### August 10, 2007

The Federal Reserve Board announces that it “will provide reserves as necessary to promote trading in the federal funds market at rates close to the FOMC’s target rate of 5.25 percent. In current circumstances, depository institutions may experience unusual funding needs because of dislocations in money and credit markets. As always, the discount window is available as a source of funding.” ([St. Louis Fed](#) | original source: [Federal Reserve Press Release](#))

At the same day Global stock markets stayed under intense pressure over sub-prime fears. London's FTSE 100 index had its worst day in more than four years, closing 3.7% lower. ([BBC](#))

### August 13, 2007

Wall Street giant Goldman Sachs said it would pump \$3bn into a hedge fund hit by the credit crunch to help shore up its value. ([BBC](#))

### August 15, 2007

Shares plunge in largest mortgage lender Countrywide on fears it will go bankrupt. The next day Countrywide draws on its entire \$11.5bn credit line as liquidity crisis looms. ([BBC](#))

### August 16, 2007

Fitch Ratings downgrades Countrywide Financial Corporation to BBB+, its third lowest investment-grade rating, and Countrywide borrows the entire \$11.5 billion available in its credit lines with other banks. ([St. Louis Fed](#) | original source: [SEC Filing](#))

### August 17, 2007

The Federal Reserve Board votes to reduce the primary credit rate 50 basis points to 5.75 percent, bringing the rate to only 50 basis points above the FOMC’s federal funds rate target. The Board also increases the maximum primary credit borrowing term to 30 days, renewable by the borrower. ([St. Louis Fed](#) | original source: [Federal Reserve Press Release a](#))

Following an intermeeting conference call, the FOMC releases a statement on the same day about the current financial market turmoil, and notes that the “downside risks to growth have increased appreciably.” ([St. Louis Fed](#) | original source: [Federal Reserve Press Release b](#))

### August 21, 2007

Capital One cuts jobs as sub-prime crisis bites. ([BBC](#))

### August 23, 2007

US mortgage lender sells assets. Leading US and European banks borrow \$2bn from Federal Reserve. Sharp rise in US home repossessions as sub-prime borrowers default. At the same day leading sub-prime lender Countrywide cuts jobs as sub-prime crisis hits. Shares slump after Countrywide warns that mortgage slump is getting worse.

One day later Countrywide gets \$2bn cash injection from Bank of America. ([BBC](#))

On August 31<sup>st</sup> President Bush, flanked by Treasury Secretary Hank Paulson and Fed chief Ben Bernanke, pledges to ease sub-prime lending crisis. ([BBC](#))

### September 4, 2007

Overnight bank lending dries up as banks fear defaults from each other. ([BBC](#))

### September 11, 2007

US Treasury Secretary Hank Paulson says mortgage lenders are to blame for sub-prime crisis. ([BBC](#))

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## September 18, 2007

The FOMC votes to reduce its target for the federal funds rate 50 basis points to 4.75 percent. The Federal Reserve Board votes to reduce the primary credit rate 50 basis points to 5.25 percent. ([St. Louis Fed](#) | original source: [Federal Reserve Press Release](#))

## September 20, 2007

US Federal Reserve chairman Ben Bernanke says the losses from the sub-prime mortgage crisis are higher than expected ([BBC](#))

On the same day Goldman Sachs makes a profit by betting that mortgage-backed securities will fall despite \$1.5bn exposure. ([BBC](#))

## 2. Europe

### July 2007

Independent market analyst Datamonitor said UK sub-prime mortgages were set to grow faster than mainstream mortgages, with the market worth some £31.5bn by 2011. ([BBC](#))

The UK's Financial Services Authority (FSA) said it would take action against five brokers selling sub-prime mortgages, claiming they offered loans to people who should not be given them. ([BBC](#))

### August 9, 2007: BNP Paribas' Subprime Bath

Not even two weeks after the liquidation of two of Bear Stearns' hedge funds BNP Paribas Investment Partners temporarily suspends the calculation of the Net Asset Value of the following funds: Parvest Dynamic ABS, BNP Paribas ABS EURIBOR and BNP Paribas ABS EONIA.

The complete evaporation of liquidity in certain market segments of the US securitization market has made it impossible to value certain assets fairly regardless of their quality or credit rating. The situation is such that it is no longer possible to value fairly the underlying US ABS assets in the three above-mentioned funds. We are therefore unable to calculate a reliable net asset value ("NAV") for the funds. ([BNP Paribas Press Release](#))

The European Central Bank pumps 95bn euros into the Eurozone banking system to ease the sub-prime credit crunch. The US Federal Reserve and the Bank of Japan take similar steps. ([BBC](#))

### August 2007

The European Central Bank provided an extra 61bn euro of funds for banks. Three days later the ECB pumps another 47.7bn euro into the money markets, its third cash injection in as many working days. Central banks in the US and Japan also topped up earlier injections. ([BBC](#))

BNP Paribas says sub-prime losses in hedge funds will not impact on quarterly profits. ([BBC](#))

UK sub-prime lenders begin to withdraw mortgages or increase the cost of borrowing. Barclays Bank borrows £314 million from the Bank of England's standing lending facility and a further £1.3 billion on 30 August. ([Norton Rose](#))

The German regional bank Sachsen Landesbank is rapidly sold to Germany's biggest regional bank, Landesbank Baden-Wuerttemberg. It came close to collapsing under its exposure to sub-prime debt. It received a 17bn euro lifeline. ([BBC](#))

German Chancellor Angela Merkel criticized credit ratings agencies for not spotting problems on the market. ([BBC](#))



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## September 2007

German corporate lender IKB announces a \$1bn loss on investments linked to the US sub-prime market. ([Guillén](#))

The rate at which banks lend to each other rises to its highest level since December 1998. The so-called Libor rate is 6.7975%, way above the Bank of England's 5.75% base rate; banks either worry whether other banks will survive, or urgently need the money themselves. ([BBC](#))

ECB injects fresh cash into markets as credit fears intensify. Total intervention has now reached 250bn euros (\$300bn, £150bn). ([BBC](#))

ECB president Jean-Claude Trichet blames rating agencies for sub-prime crisis but says EU economy sound. ([BBC](#))

The BBC reveals Northern Rock has asked for and been granted emergency financial support from the Bank of England, in the latter's role as lender of last resort. Northern Rock relied heavily on the markets, rather than savers' deposits, to fund its mortgage lending. The onset of the credit crunch has dried up its funding. ([BBC](#))

Northern Rock depositors withdraw £1 billion as its shares go into free fall. This is the biggest run on a British bank for more than a century. They continue to take out their money until the Chancellor of the Exchequer authorizes the Bank of England to provide liquidity support for Northern Rock, the United Kingdom's fifth-largest mortgage lender. ([Guillén](#) | original sources: [United Kingdom Treasury Department Press Release](#) | [Norton Rose](#))

The Bank of England offers to pump £10 billion of emergency three-month funds into money markets at penalty rates and accept a wider pool of assets as collateral. A week later UK banks turn down the offer. ([Norton Rose](#))

Bank of England governor Mervyn King defends his role in Northern Rock crisis to House of Commons Treasury Select Committee. ([BBC](#))

Deutsche Bank boss Josef Ackermann warns of losses from sub-prime exposure. ([BBC](#))

UK Chancellor Alistair Darling suggests government will consider boosting deposit savings guarantee to £100,000. ([BBC](#))

Commercial banks shun Bank of England rescue fund. ([BBC](#))

The European Central Bank allots €50 billion of three-month refinancing at 4.63%. ([Norton Rose](#))

## 3. Switzerland

### May 3, 2007

Swiss bank UBS has shocked investors with the news that it is winding up its hedge fund arm, Dillon Read Capital Management (DRCM). The announcement came as the bank said net profits for the first three months of the year falling 6% to 3.275bn Swiss francs (\$2.7bn; £1.4bn). During the same period DRCM had lost 150m



"Fill the bag up?.. With what?!"

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Swiss francs, hit by the problems in the US sub-prime mortgage market. UBS says reintegrating DRCM into its investment arm will cost up to \$300m. ([BBC](#) | original source: [UBS News](#))

### June - July 2007

The Swiss National Bank (SNB) raises the three-month Libor target range by 25 basis points to 2.00%-3.00%. ([SNB](#))

Marcel Rohner is surprisingly enough appointed as UBS's Group Chief Executive Officer with immediate effect. He succeeds Peter Wuffli, who relinquishes all of his functions at UBS. Raoul Weil will succeed Marcel Rohner as Chairman and CEO of Global Wealth Management & Business Banking. Marcel Ospel will be nominated for another term as Chairman of the Board of Directors once his current term expires. ([UBS News](#))

On July 9<sup>th</sup> Credit Suisse releases a report that shows CDO losses could total up to \$52 billion. The report stated that CDO investors will likely be in trouble but they do not predict any systematic risk. Ivan Vatchkov, a Credit Suisse analyst, said that “[b]anks’ direct exposure to CDOs is not as high as people think.” ([Bloomberg](#))

### August 2007: Lesson Not Learned

UBS reports second quarter result of CHF 5,622 million. “We are working on a number of growth initiatives that are at various stages of implementation. Among them are the expansion of the European wealth management business, investment in the Investment Bank fixed income business and the growth of US wealth management. The underlying strategy of these initiatives remains unchanged. In implementing them, we need to balance revenue opportunities with operational and economic efficiency. Thus, while the direction and cornerstone of our strategy remain unchanged, the tactics involved in executing will continue to be adapted to varying market conditions,” says Marcel Rohner, Chief Executive Officer. ([UBS News](#))

### September 2007

The Swiss National Bank (SNB) raises the three-month Libor target range by 25 basis points to 2.25%-3.25%. ([SNB](#))

## III. October - November 2007: Heads Start Rolling

Someone has to pay for the already now remarkable losses due to poor investments in US subprime mortgages. Big bosses within UBS, Merrill Lynch, Citigroup and Northern Rock resign.

### 1. USA

#### October 1, 2007

Citigroup admits \$.31bn in losses. ([BBC](#))

#### October 5, 2007

Investment bank Merrill Lynch reveals \$5.6bn sub-prime loss. ([BBC](#))

#### October 14, 2007

US banks holding secret talks at US Treasury float idea of a new super-fund to revive the frozen credit markets. ([BBC](#))

#### October 15, 2007

Citigroup writes down additional \$5.9bn on exposure to the US sub-prime market. ([BBC](#))

#### October 16, 2007

US Federal Reserve chairman Ben Bernanke warns sub-prime crisis and housing slump will be significant drag on US economy. Confidence among home builders falls to record low. ([BBC](#))

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## **October 17, 2007**

Further falls in US house building signal bad times for builders. ([BBC](#))

## **October 30, 2007**

Merrill Lynch takes a \$7.9bn hit following exposure to bad debt. Its chief executive, Stan O'Neal, resigns. ([BBC](#))

## **October 31, 2007**

Federal Reserve delivers second rate cut to boost markets. ([BBC](#))

## **November 5, 2007**

Banking giant Citigroup announces fresh losses of between \$8bn and \$11bn because of exposure to the US sub-prime market. Chief executive and chairman Charles Prince resigns. ([BBC](#))

## **November 8, 2007**

Morgan Stanley unveiled a \$3.7bn loss from its US sub-prime mortgage exposure. ([BBC](#))

## **November 9, 2007**

US's fourth largest lender Wachovia revealed a \$1.1bn loss due to decline in value of its mortgage debt plus \$600m to cover loan losses (total \$1.7bn, £829m). ([BBC](#))

## **November 12, 2007**

The three biggest US banking groups - Citigroup, Bank of America and JPMorganChase - agree a \$75bn superfund to restore confidence to credit markets. ([BBC](#))

## **November 13, 2007**

Bank of America writes off \$3bn in sub-prime losses. ([BBC](#))

## **November 15, 2007**

US House of Representatives passes Predatory Lending and Mortgage Protection Act by lopsided majority. ([BBC](#))

## **November 16, 2007**

Goldman Sachs forecasts sub-prime losses for entire financial sector at \$400bn (£200bn). ([BBC](#))

## **November 20, 2007**

US mortgage guarantor Freddie Mac sets aside \$1.2bn to cover bad loans and reports a \$2bn loss. The US Federal Reserve cuts its 2008 growth forecast citing credit and housing market woes. Construction of new US homes in October remains sharply lower than a year earlier, figures show. ([BBC](#))

## **November 23, 2007**

The US Christmas shopping season gets under way, with shoppers braving the cold to look for bargains. ([BBC](#))

## **November 27, 2007**

US mortgage guarantor Freddie Mac is selling \$6bn of shares to cover further bad debt losses. US house prices dropped sharply in the third quarter, falling at their biggest rate in 21 years, a survey shows. Citigroup agrees to sell shares worth \$7.5bn to an investment fund owned by Abu Dhabi. ([BBC](#))

## **November 29, 2007**

The US lowers its 2008 economic growth forecast amid ongoing housing and credit market problems. ([BBC](#))

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## November 30, 2007

US construction spending falls sharply, led by a large fall in the building of private homes. Morgan Stanley co-president Zoe Cruz is to retire, seen as the latest casualty of the US sub-prime crisis. [\(BBC\)](#)

## 2. Europe

### October 9, 2007

The Bank of England and FSA defend role in Northern Rock crisis. [\(BBC\)](#)

### October 31, 2007

Deutsche Bank reveals a 2.16bn euros (\$3bn, £1.6bn) write-down on bad debts. [\(BBC\)](#)

### November 4, 2007

Chuck Prince resigns as Chairman and CEO of Citigroup. Former US Treasury Secretary Robert Rubin replaces him as Chairman and Sir Win Bischoff stands in as CEO.

### November 6, 2007

Bank of England governor Mervyn King defends his role in Northern Rock crisis in exclusive interview with BBC Business Editor Robert Peston. [\(BBC\)](#)

### November 8, 2007

BNP Paribas (after temporarily freezing hedge funds with \$2.1bn in assets under management in August) revealed it had written down 301m euro (\$439m, £214m) because of credit problems, including \$197m related to US sub-prime and home builder lending. [\(BBC\)](#)

### November 14, 2007

HSBC raised its sub-prime bad debt provision by \$1.4bn (£670m) to \$3.4bn. Bank of England says that credit crunch caused by sub-prime lending will lead to a sharp slowdown in UK growth [\(BBC\)](#)

### November 15, 2007

Barclays says it had written down £1.3bn (\$2.6bn) in sub-prime losses. [\(BBC\)](#)

Northern Rock Chief Executive Adam Applegarth resigns and at the very next day the bank's executives defend role at Treasury Select Committee. [\(Norton Rose | BBC\)](#)

### October 16, 2007

The Nationwide warns of no UK house price growth in 2008 [\(BBC\)](#)

### November 19, 2007

Northern Rock says bids to buy bank are "below current market value." [\(BBC\)](#)

### November 20, 2007

UK buy-to-let mortgage lender Paragon sees its shares fall nearly 40% after revealing funding difficulties. Its shares are suspended as it warns of collapse. [\(BBC | Norton Rose\)](#)

### November 22, 2007

UK lender Kensington Mortgages withdraws its entire range of sub-prime mortgages because of market conditions. The Nationwide, the UK's largest building society, benefits from being seen as a haven from troubled banks. [\(BBC\)](#)

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## November 29, 2007

Bank of England governor Mervyn King warns that growth in the UK economy may slow and inflation is likely to rise. ([BBC](#))

## 3. Switzerland

### October 1, 2007

Swiss bank UBS revealed losses of \$3.4bn in its fixed income and rates division, and in its mortgage-backed securities business. In Investment Banking 15000 jobs are axed. Investment Bank Chairman and CEO Huw Jenkins and Group CFO Clive Standish resign. ([BBC](#) | [DRS](#) | [Norton Rose](#))

### October 30, 2007

UBS reports third quarter loss of CHF 726 million pre-tax. ([UBS](#))

### November 1, 2007

Credit Suisse revealed a \$1bn write-down on bad debts. ([BBC](#))

### November 19, 2007

Swiss Re expects to lose \$1bn on insurance a client took out against any fall in the value of its mortgage debt. ([BBC](#))

## 4. International

### October 17, 2007

IMF warns that credit crunch will hit world growth. ([BBC](#))

## IV. December 2007 – March 2008: Central Banks Continue Supplying Liquidity

The central banks make more funding available for the beleaguered financial markets all around the globe. New in the focus are now the bond insurers. It is feared that they will not be able to pay out and then force banks to another big round of losses.

### 1. USA

#### December 1, 2007

The Economist, p. 10 (World this Week)

Citigroup announced that it had raised \$7.5 billion in capital by selling a 4.9% stake to the investment arm of the emirate of Abu Dhabi. Citi has been afflicted by a series of woes, including billions of dollars in write-downs stemming from subprime mortgages, but is also under pressure from shareholders to increase the value of its stock. Separately, in a busy week for sovereign wealth funds based in the Gulf States, a fund manager owned by the ruler of Dubai made a "substantial investment" in Sony.

Consumer confidence in America plunged in November to reach its lowest level since just after Hurricane Katrina in 2005. The tumult in financial markets and the prospect of higher heating bills fed the despondency. Retailers hope that the season of goodwill will imbue consumers with optimism: sales in the post-Thanksgiving weekend, which kicks off the holiday spending spree, rose by 6.5% compared with last year. However, analysts still expect sales to drop in total in the run-up to Christmas.

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## December 11, 2007

The FOMC votes to reduce its target for the federal funds rate 25 basis points to 4.25 percent. The Federal Reserve Board votes to reduce the primary credit rate 25 basis points to 4.75 percent. [Federal Reserve Press Release](#)

## December 12, 2007

The Federal Reserve Board announces the creation of a Term Auction Facility (TAF) in which fixed amounts of term funds will be auctioned to depository institutions against a wide variety of collateral. The FOMC authorizes temporary reciprocal currency arrangements (swap lines) with the European Central Bank (ECB) and the Swiss National Bank (SNB). The Fed states that it will provide up to \$20 billion and \$4 billion to the ECB and SNB, respectively, for up to 6 months. [Federal Reserve Press Release](#) | [Additional Information](#)

## December 21, 2007

The Federal Reserve Board announces that TAF auctions will be conducted every two weeks as long as financial market conditions warrant. [Federal Reserve Press Release](#)

Citigroup, JPMorgan Chase, and Bank of America abandon plans for the Master Liquidity Enhancement Conduit, announcing that the fund "is not needed at this time."

## January 5, 2008

The Economist, p. 5 (World this Week)

China's sovereign-wealth fund made a \$20 billion capital injection into state-owned China Development Bank ahead of its probable public offering. Sovereign-wealth funds have risen to prominence during the credit crunch. After reporting its first ever quarterly loss and an additional \$5.7 billion write-down related to subprime mortgages, Morgan Stanley recently said it would sell a 9.9% stake to China's fund. Merrill Lynch has announced that it will raise \$6.2 billion by selling shares to Singapore's Temasek Holdings.

PHH, a mortgage and vehicle leasing company, terminated a merger agreement it had reached with General Electric in March that depended on Blackstone Group buying its mortgage business, PHH said the private-equity firm "was not able to obtain the requisite debt financing", though at \$1.8 billion the price of the deal was paltry compared with last year's "mega buy-outs".

Legg Mason bailed out two of its funds tied to debt sold by structured investment vehicles. Several big financial companies have mounted independent rescues of SIVS which borrow short-term. The three banks--Citigroup, Bank of America and JPMorgan Chase--that were to manage an \$80 billion fund backed by America's Treasury Department and set up to buy highly overrated assets now say they think the measure is not necessary because of the "orderly unwinding" of SIVS.

## January 11, 2008

Bank of America announces that it will purchase Countrywide Financial in an all-stock transaction worth approximately \$4 billion. [Bank of America Press Release](#)

Fitch Ratings downgrades Ambac Financial Group's insurance financial strength rating to AA, Credit Watch Negative. Standard and Poor's place Ambac's AAA rating on Credit Watch Negative. [SEC Filing](#)

## January 12, 2008

The Economist, p. 7 (World this Week)

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Bear Stearns shook up its senior management, with Alan Schwartz, the financial company's president, replacing Jimmy Cayne as chief executive. The troubles of two hedge funds at Bear Stearns acted as the catalyst for the unraveling of confidence in credit markets last summer. Bear's share price has fallen sharply since then, and fell again when it emerged that Mr Cayne will stay on as chairman.

Countrywide Financial issued yet another statement denying it is insolvent amid speculation that caused its share price to slide by some 28% in one day's trading. The rumors that America's biggest private mortgage-lender is facing bankruptcy were further fuelled when it revealed a big increase in foreclosures and late payments to its business in December.

Silver Lake Partners, which specializes in technology Investments, sold a 9.9% stake, worth about \$275m, to Calpers, the largest state pension fund in California. Since the squeeze in credit markets, private-equity firms have turned to "outside" investors, such as sovereign-wealth funds and pension funds, that can provide money separate from their investment funds to boost their cash position.

After receiving a capital infusion of \$1billiori in December, MBIA announced extra measures to prevent its top-notch credit rating from being downgraded. The bond insurer, an important actor in greasing the wheels of the world's debt markets, will slash its annual dividend and sell \$1billion in debt to strengthen its position.

### January 19, 2008

The Economist, p. 7 (World this Week)

Citigroup and Merrill Lynch tapped into more foreign investment to repair their tattered balance sheets. After reporting a fourth-quarter net loss of \$9.8billion and further subprime-related write-downs of around \$18billion, Citigroup said it would raise an extra \$14.5billion from the governments of Singapore and Kuwait as well as private financiers; Merrill Lynch announced it was receiving an additional \$6.6 billion from Asian and Middle Eastern investment groups.

Quarterly net profit at JPMorgan Chase fell by 34% compared with a year ago. The Wall Street bank's subprime-related write-downs amounted to \$1.3 billion.

### January 22, 2008

In an intermeeting conference call, the FOMC votes to reduce its target for the federal funds rate 75 basis points to 3.5 percent. The Federal Reserve Board votes to reduce the primary credit rate 75 basis points to 4 percent. [Federal Reserve Press Release](#)

### January 26, 2008

The Economist, p. 7 (World this Week)

There was also much speculation about a bail-out of America's troubled bond insurers. Ambac Financial reported a \$3.3billion quarterly net loss after it recorded \$5.2billion in write-downs from its credit derivatives portfolio which includes assets backed by subprime mortgages. On January 18th Fitch cut its AAA credit-rating for Ambac, which suggests the insurers may not be reliable counterparties for the states, cities and banks that do business with them.

The shakeout from subprime markets continued to inflict pain on America's financial titans. Bank of America's quarterly net profit plunged by 95% compared with a year ago, to \$268m. Wachovia saw a similar precipitous decline in its profit, to \$51m.

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There was no escape for investors from the commotion in world markets this week. A financial crisis also hit Second Life, a popular online virtual world, which had to close the doors on a dozen banks that refused to payout high returns on avatars' deposits.

### January 30, 2008

The FOMC votes to reduce its target for the federal funds rate 50 basis points to 3 percent. The Federal Reserve Board votes to reduce the primary credit rate 50 basis points to 3.5 percent. [Federal Reserve Press Release](#)

### February 13, 2008

President Bush signs the Economic Stimulus Act of 2008 (Public Law 110-185) into law. [Public Law 110-185](#)

### February 16, 2008

The Economist, p. 9 (World this Week)

AIG raised the tally for its losses from the subprime market last October and November to \$5billion. The insurer had estimated that the loss would be up to \$1.5 billion, but its auditor has since found a "material weakness" in how AIG valued its exposure.

### February 23, 2008

The Economist, p. 9 (World this Week)

As banks continued to discuss a bail-out of Arnerica's troubled "monoline" bond insurers one of the firms, FGIC, said it wanted to split in two. Two more, Arnbac and MBIA, which brought its former boss back to stabilize the company, are also considering restructuring. The latest victim of the industry's woes is the auction rate market linked to municipal bonds, where interest rates have shot up.

### March 1, 2008

The Economist, p. 8 (World this Week)

Moody's and Standard & Poor's reaffirmed their AAA+ ratings for MBIA, removing the threat of a downgrade to the world's biggest bond insurer - at least for the moment. With the credit markets in turmoil, bond insurers are desperate to retain the top-notch ratings that cities depend on when they borrow.

The federal regulator overseeing Fannie Mae and Freddie Mac, government-backed firms that finance and guarantee home loans, said it would consider lifting a cap on their ability to invest capital that had been imposed on the pair because of accounting irregularities. Meanwhile, Fannie and Freddie reported heavy quarterly losses partly because of higher defaults on loans and rising foreclosures.





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Amid falling consumer confidence and another volley of statistics on the gloomy state of America's housing market, Home Depot reported the first drop in annual sales in its 30 year history.

Countrywide Financial said that "in light of recent events" it would cancel a business trip it had planned for 30 bankers to a swanky ski resort in Colorado. The mortgage lender has had to deny several rumors that it is bankrupt and only recently agreed to a takeover, for a fraction of its market value a year ago, from Bank of America. The high cost of the impending trip was criticized in some quarters.

### **March 5, 2008**

Carlyle Capital Corporation receives a default notice after failing to meet margin calls on its mortgage bond fund. [Carlyle Capital Corporation Press Release](#)

### **March 7, 2008**

The Federal Reserve Board announces \$50 billion TAF auctions on March 10 and March 24 and extends the TAF for at least 6 months. The Board also initiates a series of term repurchase transactions, expected to cumulate to \$100 billion, conducted as 28-day term repurchase agreements with primary dealers. [Federal Reserve Press Release](#)

### **March 8, 2008**

The Economist, p. 8 (World this Week)

Ben Bernanke said that the "pervasiveness of negative-equity positions" was underlying the downturn in America's housing market and urged lenders to forgive some mortgage debt. The Federal Reserve chairman's suggestion puts him slightly at odds with Hank Paulson, the treasury secretary, who prefers less drastic measures, such as banks' renegotiating mortgage payments.

Warren Buffett declared that "by any common sense definition" America was already in a "recession" and that the housing slump was hurting. Mr Buffett, crowned this week as the world's richest man, also withdrew his recent offer to reinsure three troubled bond-insurers to the tune of \$800 billion. "We tossed our hat into the ring and they tossed it right back," he said.

Meanwhile, Ambac announced a plan to raise \$1.5 billion in capital as part of its effort to retain its AAA-rating. Analysts said the bond insurer needed to do more. Municipal-bond markets continued to rally, however, on the news that Wilbur Ross and Bill Gross, two big Investors, were ploughing money into municipal bonds that are being sold off cheaply.

### **March 11, 2008**

The Federal Reserve Board announces the creation of the Term Securities Lending Facility (TSLF), which will lend up to \$200 billion of Treasury securities for 28-day terms against federal agency debt, federal agency residential mortgage-backed securities (MBS), non-agency AAA/Aaa private label residential MBS, and other securities. The FOMC increases its swap lines with the ECB by \$10 billion and the Swiss National Bank by \$2 billion and also extends these lines through September 30, 2008. [Federal Reserve Press Release](#) | [Additional Information](#)

### **March 14, 2008**

The Federal Reserve Board approves the financing arrangement announced by JPMorgan Chase and Bear Stearns [see note for March 24]. The Federal Reserve Board also announces they are "monitoring market developments closely and will continue to provide liquidity as necessary to promote the orderly function of the financial system." [Federal Reserve Press Release](#)

### **March 15, 2008**

The Economist, p. 10 (World this Week)

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Payroll employment in America fell by 63,000 in February, the biggest monthly drop in nearly five years. Almost all employment sectors shed jobs, with the biggest declines in manufacturing and construction. However, the addition of 38,000 government workers to the payrolls stopped the total figure from being even worse.

The dollar dropped to a record low of \$1.55 against the euro as investors speculated that the Fed would slash interest rates again. The dollar also fell to a 12-year low against the yen, below the ¥100 level.

A mortgage-bond fund affiliated to Carlyle Group, a private-equity firm, said it was close to collapse after its lenders moved to seize assets amid the fund's financial woes. The fund dealt only in mortgage backed securities with topnotch credit-ratings, and not the subprime market, indicating how far the credit crisis has spread.

With credit markets paralyzed and the enthusiasm for acquisitions dampened, Blackstone Group's quarterly revenue tumbled to \$345m from \$1.3billion a year earlier. The buy-out firm has seen its share price fall by half since its initial public offering last June.

### **March 16, 2008**

The Federal Reserve Board establishes the Primary Dealer Credit Facility (PDCF), extending credit to primary dealers at the primary credit rate against a broad range of investment grade securities. The Federal Reserve Board votes to reduce the primary credit rate 25 basis points to 3.25 percent, lowering the spread between the primary credit rate and FOMC target for the federal funds rate to 25 basis points. The Board also votes to increase the maximum maturity of primary credit loans to 90 days. [Federal Reserve Press Release](#) | [Additional Information](#)

### **March 18, 2008**

The FOMC votes to reduce its target for the federal funds rate 75 basis points to 2.25 percent. The Federal Reserve Board votes to reduce the primary credit rate 75 basis points to 2.50 percent. [Federal Reserve Press Release](#)

### **March 22, 2008**

The Economist, p. 10 (World this Week)

Financial markets endured another tumultuous few days, starting with a run on Bear Stearns, a venerable Wall Street bank, amid rumors of its imminent collapse. The Federal Reserve led a rescue by assuring \$30billion of the bank's assets and engineering its takeover by JPMorgan Chase. At the same time it said it would accept investment banks' collateral. The action was praised for halting Bear Stearns's complete meltdown. The deal values the investment bank at just \$2 a share: in January 2007 its shares traded for over \$170.

Lehman Brothers sought to reassure jittery investors after it saw 20% wiped off its market value on March 17th. Its share price stormed back after it reported a quarterly net profit of \$489m, 57% less than in the same period a year ago but better than had been expected. Goldman Sachs also posted a much-reduced quarterly profit of \$1.51 billion, stemming from losses in mortgages and securities.

### **March 24, 2008**

The Federal Reserve Bank of New York announces that it will provide term financing to facilitate JPMorgan Chase & Co.'s acquisition of The Bear Stearns Companies Inc. a limited liability company (Maiden Lane) is formed to control \$30 billion of Bear Stearns assets that are pledged as security for \$29 billion in term financing from the New York Fed at its primary credit rate. JPMorgan Chase will assume the first \$1 billion of any losses on the portfolio. [Federal Reserve Bank of New York Press Release](#)

### **March 29, 2008**

The Economist, p. 12 (World this Week)

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JPMorgan Chase increased its recent offer for Bear Stearns to \$10 a share from \$2 to win the support of Bear's many unhappy Investors. JPMorgan, which stepped in to rescue its rival during a run on its assets amid bankruptcy rumors, was praised by some for raising the price to keep a deal afloat. Others questioned the arrangement and the Federal Reserve's part in it. The central bank is backing \$29 billion of Bear's illiquid assets, which critics argue amounts to bailing out a company that took reckless risks.

House prices in 20 American metropolitan areas fell by 10.7% in January compared with a year earlier, according to an index from Standard & Poor's and Case-Shiller; annual growth rates were at a record low in 16 of the 20, most notably in the south-west. A despondent housing market did receive some good news. Existing-home sales rose in February at an annual rate for the first time in seven months, according to the National Association of Realtors.

## 2. Europe

### December 6, 2007

The Bank of England cuts interest rates by a quarter of one percentage point to 5.5%. [BBC](#)

### December 11, 2007

Citigroup names Sir Win Bischoff as Chairman and Vikram Pandit as CEO. [Global financial recovery chronology 2007](#)

### December 12, 2007

The Federal Reserve Board announces the creation of a Term Auction Facility (TAF) in which fixed amounts of term funds will be auctioned to depository institutions against a wide variety of collateral. The FOMC authorizes temporary reciprocal currency arrangements (swap lines) with the European Central Bank (ECB) and the Swiss National Bank (SNB). The Fed states that it will provide up to \$20 billion and \$4 billion to the ECB and SNB, respectively, for up to 6 months. [Federal Reserve Press Release](#) | [Additional Information](#)

Central banks launch unprecedented \$110 billion lifeline for interbank borrowing markets. [Global financial recovery chronology 2007](#)

### December 13, 2007

The Bank of England calls it an attempt to "forestall any prospective sharp tightening of credit conditions". The move succeeds in temporarily lowering the rate at which banks lend to each other. [BBC](#)

### December 17, 2007

The central banks continue to make more funding available.

[Global financial recovery chronology 2007](#)

The US Federal Reserve auctions \$20 billion in a bid to aid commercial banks. [BBC](#)

### December 18, 2007

The Bank of England offers £10 billion to UK banks and the European Central Bank offers €350 billion capital injections to banks causing Interbank lending rates to fall in Britain and the Eurozone.

[Global financial recovery chronology 2007](#)

### January 21, 2008

A rush to withdraw money from its commercial property funds forces Scottish Equitable to introduce delays of up to 12 months for investors wanting to take their money out. It blames the rush of withdrawals on concerns about the US sub-prime mortgage collapse, recession worries and interest rates. [Guillén \(Lauder Institute\)](#)

### January 8, 2008

Bear Stearns CEO James Cayne resigns. [Global financial recovery chronology 2008](#)

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### January 11, 2008

Countrywide Financial is bought by Bank of America for \$4 billion. [Global financial recovery chronology 2008](#)

### January 21, 2008

The Bank of England calls it an attempt to "forestall any prospective sharp tightening of credit conditions". The move succeeds in temporarily lowering the rate at which banks lend to each other.

[Guillén \(Lauder Institute\)|BBC](#)

Global stock markets, including London's FTSE 100 index, suffer their biggest falls since 11 September 2001.

[Global financial recovery chronology 2008](#)

### January 22, 2008

With an eye on recession, the US Federal Reserve makes its biggest cut in interest rates in 25 years - three-quarters of a percentage point to 3.5%. [Global financial recovery chronology 2008](#)

### February 7, 2008

The Bank of England cuts interest rates by a quarter of one percent to 5.25%. [BBC](#)

### February 8, 2008

In the UK, the latest CML figures show the number of homes repossessed in the UK rose to 27,100 in 2007, its highest level since 1999. [Guillén \(Lauder Institute\)](#)

### February 17, 2008

Northern Rock is taken into state ownership by the Treasury of the United Kingdom. [United Kingdom Treasury Department Press Release](#)

After considering a number of private sector rescue proposals, including one from Richard Branson's Virgin Group, the government announces that struggling Northern Rock is to be nationalized.

[Guillén \(Lauder Institute\) | BBC](#)

British government nationalizes Northern Rock.

[Global financial recovery chronology 2008](#)

### 21 February 21, 2008

The Banking (Special Provisions) Act 2008 comes into force. It provides for UK-incorporated banks and building societies to be taken into public ownership (with the primary focus of enabling the nationalisation of Northern Rock). This power will only last for 12 months. [Global financial recovery chronology 2008](#)

### March 3, 2008

HSBC increases the rate at which it writes off sub-prime loans to \$51 million a day. [Global financial recovery chronology 2008](#)

### March 7, 2008

Carlyle Capital Corporation, a \$22 billion bond fund owned by private equity group Carlyle, collapses.

The US Federal Reserve offers \$200 billion of funds to financial institutions. [Global financial recovery chronology 2008](#)

### March 11, 2008

The Federal Reserve Board announces the creation of the Term Securities Lending Facility (TSLF), which will lend up to \$200 billion of Treasury securities for 28-day terms against federal agency debt, federal agency residential mortgage-backed securities (MBS), non-agency AAA/Aaa private label residential MBS, and other securities. The FOMC increases its swap lines with the ECB by \$10 billion and the Swiss National Bank by \$2 billion and also extends these lines through September 30, 2008. [Federal Reserve Press Release](#) | [Additional Information](#)

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### March 16, 2008

JP Morgan Chase acquires Bear Stearns for \$240 million. This is backed by \$30 billion of central bank loans. [Global financial recovery chronology 2008](#)

### March 28, 2008

Nationwide predicts UK house prices will fall by the end of the year, revising its previous forecast of no change in prices. [BBC](#)

## 3. Switzerland

### December 10, 2007

Swiss banking giant UBS AG said Monday it will write off a further \$10 billion on losses in the U.S. subprime lending market and will raise capital by selling substantial stakes to Singapore and an unnamed investor in the Middle East.

UBS will now record a loss for the fourth quarter and said “it is now possible that UBS will record a net loss attributable to shareholders for the full year 2007.”

UBS said that the government of Singapore Investment Corp., or GIC, is investing \$9.75 billion, while an undisclosed strategic investor in the Middle East is contributing the other \$1.77 billion. [MSNBC](#)

### January 30, 2008

UBS, the largest Swiss bank, said Wednesday that it would write off \$14 billion in exposure to the troubled U.S. housing market and post a net loss for 2007.

The write-offs will result in a record fourth-quarter net loss of approximately 12.5 billion Swiss francs, or \$11.4 billion, the bank said in a statement. It also said it expected to report full-year net loss of 4.4 billion francs, or \$4 billion, for 2007.

The numbers “include around \$12 billion in losses on positions related to the U.S. subprime mortgage market and approximately \$2 billion on other positions related to the US residential mortgage market,” the bank said. [NYT](#)

### February 27, 2008

UBS faces shareholder anger over subprime losses. Its showdown time for UBS. Today the board of Switzerland’s largest bank faces the wrath of shareholders at an extraordinary general meeting in Basel. Two main issues dominate the agenda: a shareholder request for a special audit of what led to subprime losses of around CHF20 billion and a vote on whether to accept CHF13 billion in emergency funding from Singapore and Middle East investors. [WRS](#)

### March 11, 2008

The Federal Reserve Board announces the creation of the Term Securities Lending Facility (TSLF), which will lend up to \$200 billion of Treasury securities for 28-day terms against federal agency debt, federal agency residential mortgage-backed securities (MBS), non-agency AAA/Aaa private label residential MBS, and other securities. The FOMC increases its swap lines with the ECB by \$10 billion and the Swiss National Bank by \$2 billion and also extends these lines through September 30, 2008. [Federal Reserve Press Release](#) | [Additional Information](#)

### March 23, 2008

Ospel has to leave UBS after \$19bn write-down. Marcel Ospel on Tuesday bowed to intense pressure and said he would not seek re-election as chairman of UBS, as Europe’s biggest casualty of the subprime crisis announced a further massive loss and its second capital increase in two months. Mr Ospel, who has faced mounting criticism over his and the board’s failure to identify the bank’s huge exposure and its subsequent handling of the crisis, will be replaced by Peter Kurer, UBS’s general counsel. [FT](#)

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## 4. International

### January 21, 2008

Global stock markets, including London's FTSE 100 index, suffer their biggest falls since 11 September 2001. [Lauder Institute](#)

## V. April– June 2008: Banks Beg for Money

Banks pass around the hat in order to get state guarantees for their losses. House prices in the US and in Europe continue to fall.

### 1. USA

#### June 19, 2008

There are significant developments in two major credit crunch-related investigations in the US, which it is hoped will restore confidence in the credit markets.

The FBI arrests 406 people, including brokers and housing developers, as part of a crackdown on alleged mortgage frauds worth \$1bn. Separately, two former Bear Stearns workers face criminal charges related to the collapse of two hedge funds linked to sub-prime mortgages. It is alleged they knew of the funds' problems but did not disclose them to investors, who lost a total of \$1.4bn. [Lauder Institute](#)

### 2. Europe

#### April 11, 2008

A warning is issued by the CML that the amount of funding available for mortgages in the UK could be cut in half this year. It calls on the Bank of England to kick-start the money markets and ease the effects of the credit crunch. [Lauder Institute](#)

#### April 15, 2008

Confidence in the UK housing market falls to its lowest point in 30 years in March, according to the Royal Institution of Chartered Surveyors, because of the "unique liquidity blight". But it does add that the situation is good news for buyers with large deposits who can buy property that was previously out of reach. [Lauder Institute](#)

#### April 21, 2008

The Bank of England announces details of an ambitious £50bn plan designed to help credit-squeezed banks by allowing them to swap potentially risky mortgage debts for secure government bonds. [Lauder Institute](#)

#### April 22, 2008

Royal Bank of Scotland announces a plan to raise money from its shareholders with a £12bn rights issue - the biggest in UK corporate history. The firm also announces a write-down of £5.9bn on the value of its investments between April and June – the largest write-off yet for a British bank. [Lauder Institute](#)

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## April 25, 2008

Persimmon becomes the first UK house builder to announce major cutbacks, citing the lack of affordable mortgages and a fall in consumer confidence. It adds sales have fallen by a quarter since the beginning of the year. [Lauder Institute](#)

## April 30, 2008

The first annual fall in house prices for 12 years is recorded by Nationwide. Prices were 1% lower in April compared to a year earlier after a "steep decline" in home buying over the previous six months. Later in the week, figures from the UK's biggest lender Halifax, show a 0.9% annual fall for April. [Lauder Institute](#)

## May 2, 2008

More than 850 companies went into administration between January and March, government figures show, a rise of 54% on the previous year. Retail and construction firms are hardest hit. [Lauder Institute](#)

## 3. Switzerland

### May 22, 2008

Swiss bank UBS, one of the worst affected by the credit crunch, launches a \$15.5bn rights issue to cover some of the \$37bn it lost on assets linked to US mortgage debt. [Lauder Institute](#)

## 4. International

### April 8, 2008

The International Monetary Fund (IMF), which oversees the global economy, warns that potential losses from the credit crunch could reach \$1 trillion and may be even higher. It says the effects are spreading from sub-prime mortgage assets to other sectors, such as commercial property, consumer credit, and company debt. [Lauder Institute](#)

## VI. July - October 2008: Financial Giants Struggle to Be Rescued

The vast extent of the credit crunch is manifested by the collapse of Lehman Brothers in fall 2008. The biggest bailout in US history takes place when Fannie Mae and Freddie Mac receive government assistance.

## 1. USA

### July 11, 2008

American Federal regulators seize IndyMac Bank after it succumbs to the pressure of tighter credit, tumbling home prices and rising foreclosures. IndyMac is the largest thrift ever to fail in the United States. Barrel of oil hits a record price of \$ 147.5. [Lauder Institute](#)

### July 14, 2008

Financial authorities step in to assist America's two largest lenders, Fannie Mae and Freddie Mac. As owners or guarantors of \$5 trillion worth of



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home loans, they are crucial to the US housing market and authorities agree they could not be allowed to fail. The previous week, there had been a panic amongst investors that they might collapse, causing their share prices to plummet. [Lauder Institute](#)

Source: [justnewlistings](#)

### September 7, 2008

Mortgage lenders Fannie Mae and Freddie Mac - which account for nearly half of the outstanding mortgages in the US - are rescued by the US government in one of the largest bailouts in US history. Treasury Secretary Henry Paulson says the two firms' debt levels posed a "systemic risk" to financial stability and that, without action, the situation would get worse. [Lauder Institute](#)

### September 10, 2008

The U.S. government seizes Fannie Mae and Freddie Mac putting the liability of more than \$ 5 trillion of mortgages onto the backs of American taxpayers. [Lauder Institute](#)

### September 11, 2008

Lehman Brothers announces it is actively looking to be sold after reporting \$ 4 billion in losses. [Lauder Institute](#)

### September 12, 2008

With Lehman Brothers facing collapse, the Department of the Treasury struggles to find a white knight for the distressed investment bank. [Lauder Institute](#)

### September 13, 2008

Teams of bankers flood the New York Federal Reserve building for the weekend to explore options for Lehman. Bank of America and Barclays head list for potential buyers. [Lauder Institute](#)

### September 14, 2008

Talks at the New York Federal Reserve continue. Barclays pulls out of the bidding for Lehman and Bank of America turns its attention to Merrill Lynch, saying it will buy it for \$ 29 per share. It was announced that Lehman Brothers would file for bankruptcy after the Federal Reserve Bank declined to participate in creating a financial support facility for Lehman Brothers. The significance of the Lehman Brothers bankruptcy is disputed with some assigning it a pivotal role in the unfolding of subsequent events. The principals involved, Ben Bernanke and Henry Paulson, dispute this view, citing a volume of toxic assets at Lehman which made a rescue impossible.[12][13] Immediately following the bankruptcy, J.P. Morgan provided the broker dealer unit of Lehman Brothers with \$138 billion to "settle securities transactions with customers of Lehman and its clearance parties" according to a statement made in a New York City Bankruptcy court filing. [Lauder Institute](#)

### September 15, 2008

Bank of America agrees to a \$50 billion rescue package for Merrill Lynch.

**Lehman files for bankruptcy** and thousands of its employees are told it's all over.

This is the largest bankruptcy filing in the history of the United States, \$ 639 billion. Shares in European stock exchanges plunge. FTSE 100 closes almost 4% lower at 5,202.4, a 210 point drop. U.S. officials agree to put together a \$20 billion lifeline bid for insurance giant AIG. The Dow Jones Industrial average plunges 504 points to close at 10,917.51. [Lauder Institute](#)

### Lehman Brothers' collapse

On September 15, 2008, **Lehman Brothers** filed for bankruptcy. With \$639 billion in assets and \$619 billion in debt, Lehman's bankruptcy filing was the largest in history, as its assets far surpassed those of previous bankrupt giants such as WorldCom and Enron. Lehman was the fourth-largest U.S. investment bank at the time of its collapse, with 25,000 employees worldwide. Lehman's demise also made it the largest victim, of the U.S. subprime mortgage-induced financial crisis that swept through global financial markets in 2008. Lehman's collapse was a seminal event that greatly intensified the 2008 crisis and contributed to the erosion of close to \$10 trillion in market capitalization from global equity markets in October 2008, the biggest monthly decline on record at the time. Source: investopia



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### September 22, 2008

Morgan Stanley and Goldman Sachs give up their status as investment banks and become traditional commercial banks that accept deposits from ordinary people and businesses, marking a dramatic change in the make-up of Wall Street. [Lauder Institute](#)

### September 24, 2008

Warren Buffet invests \$ 5 billion in Goldman Sachs and warns that failure to agree to a \$ 700 billion bailout could result in an “economic Pearl Harbor.”

The FBI starts to investigate the role of Fannie Mae, Freddie Mac, AIG and Lehman Brothers over their role in the sub-prime mortgage crisis. Henry Paulson bows to intense political pressure and accepts to include limits on what Wall Street bankers can be paid in his \$ 700 billion bailout plan. [Lauder Institute](#)

### September 26, 2008

America’s biggest savings and loan company, Washington Mutual, is seized by federal regulators and sold to J.P. Morgan for \$ 1.9 billion in a deal that sends shockwaves through Wall Street and Main Street alike. WaMu thus becomes the largest thrift failure with \$ 307 billion in assets. [Lauder Institute](#)

### September 28, 2008

The package, to be approved by Congress, allows the Treasury to spend up to \$700bn buying bad debts from ailing banks. It will be the biggest intervention in the markets since the Great Depression of the 1930s.

[Lauder Institute](#)

### September 29, 2008

Citigroup snaps up troubled bank Wachovia for \$ 2.1 billion in stock. George Bush publicly urges the House of Representatives to pass the \$ 700 billion bailout plan. His speech falls on deaf ears and a few hours later the House votes the plan down 228 against 205. Wall Street has a fit, the Dow plunges 777 points, its biggest ever fall history. Citigroup agrees to acquire Wachovia. [Lauder Institute](#)

### September 30, 2008

In the U.S. it is reported that July saw the biggest ever fall in house prices. [Lauder Institute](#)

## 2. Europe

### August 4, 2008

Global banking giant HSBC warned that conditions in financial markets are at their toughest "for several decades" after suffering a 28% fall in half-year profits.

Of Europe's top banks, HSBC has among the heaviest exposure to the troubled US housing and credit markets.

[Lauder Institute](#)

### August 9, 2008

Investment bank BNP Paribas tells investors they will not be able to take money out of two of its funds because it cannot value the assets in them, owing to a “complete evaporation of liquidity” in the market. The European Central Bank pumps €95 billion in to the banking market to try to improve liquidity. It adds a further €108.7 billion over the next few days. [Lauder Institute](#)

### August 9, 2008

The European Central Bank pumps €95 billion in to the banking market to try to improve liquidity. It adds a further €108.7 billion over the next few days. [Lauder Institute](#)

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### **August 28, 2008**

Nationwide reveals that UK house prices have fallen by 10.5% in a year. [Lauder Institute](#)

### **September 1, 2008**

Official figures from the Bank of England show a slump unapproved mortgages for July. Meanwhile, while the pound falls to record lows of 81.21 pence against the euro and two-year lows of \$1.80. [Lauder Institute](#)

### **September 3, 2008**

The European central bank cuts growth forecast 2009 to 1.2% from 1.5%, leaves interest rate unchanged at 4,25 percent. [Lauder Institute](#)

### **September 25, 2008**

Ireland becomes the first state in the Euro-zone to fall into recession. Traditionally strong American companies such as G.E. see their profits slide. HSBC raises its rates. [Lauder Institute](#)

### **September 28, 2008**

The credit crunch hits Europe's banking sector as the European banking and insurance giant Fortis is partly nationalized to ensure its survival. It is seen as too big a European bank to be allowed to go under. Authorities in the Netherlands, Belgium and Luxembourg agree to pour in 11.2bn euros (\$16.1bn; £8.9bn). Fortis' share price has fallen sharply amid concerns about its debts. [Lauder Institute](#)

### **September 30, 2008**

In the UK, Prime Minister Gordon Brown says the government is planning to raise the limit on guaranteed bank deposits from £35,000 to £50,000. [Lauder Institute](#)

## **3. Switzerland**

### **August 12, 2008**

UBS has underlined its status as one of the biggest losers in the credit crunch by announcing £5.1bn of fresh write-downs and its fourth quarterly loss in a row. The Swiss bank said this morning that it made a net loss of 358m Swiss francs (£173m) in the second quarter of this year. The loss was caused by its continuing exposure to the US housing market, and a huge outflow of funds as wealthy individuals took their money elsewhere. [Guardian](#)

## **4. International**

### **September 30, 2008**

Dominique Strauss-Kahn, the Managing Director of the IMF, declares that a bailout is the only option for the American economy. [Lauder Institute](#)

## **VII. October – December 2008: Action Plan –How to Save a Bank**

In Europe the scandal around Icesave bank of Iceland evolves and several big European banks receive government support. On the other side of the big pond a biggest state-funded rescue package in the country's history is approved by both chambers.

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## 1. USA

### October 1, 2008

Warren Buffet decides to snap up \$3 billion worth of General Electric as part of a \$ 1 billion fundraising by the industrial conglomerate. [Lauder Institute](#)

### October 2, 2008

The U.S. Senate approves the bailout. Congress passes the \$700- billion asset relief bailout. [Lauder Institute](#)

### October 3, 2008

The US House of Representatives passes a \$700billion (£394billion) government plan to rescue the US financial sector. The 263-171 vote was the second in a week, following its shock rejection of an earlier version on Monday. [Lauder Institute](#)

### October 23, 2008

Former Fed Chairman, Alan Greenspan, admits he had been “partially wrong” in his hands off approach towards the banking industry. The credit crunch had left him in a state of “shocked disbelief,” he admitted before a congressional committee. Goldman Sachs said it was to cut 10% of its global workforce. [Lauder Institute](#)

### November 10, 2008

The US Treasury announced investment of 40 billion dollars in preferred stock of AIG, adjusting the terms of the existing credit line and its amount. Total exposure, including equity and debt, is now 150 billion dollars. Funds were drawn from the Troubled Asset Relief Program which was not available at the time of the original bailout of AIG. The question of whether emergency funding would be made available to the troubled American auto industry remained under consideration. General Motors is the most threatened with a sharp drop in sales and diminishing cash reserves.

Fannie Mae Loses \$29 Billion on Write-Downs. All the profits, and then some, that [Fannie Mae](#) reaped as home prices soared in recent years vanished in a mere three months, the mortgage giant said on Monday, leaving many analysts wondering where the red ink will end. [Lauder Institute](#)

### November 12, 2008

US Treasury Secretary Henry Paulson scrapped the original Troubled Asset Relief Program (TARP) and announced shift in the focus to consumer lending. The remaining portion of the TARP budget will be used to help relieve pressure on consumer credits such as car loans, student loans, credit cards etc. [Lauder Institute](#)

### November 13, 2008

The Dow Jones Industrial Average marked another dramatic session, with the index (opening at 8,282.66) that after a mixed start tumbled again below the 8,000 mark (to a low of 7,965.42) but then reversed the trend and gained more than 900 points (fourth largest daily swing ever) in less than three hours closing at 8,835.25 with a net gain of more than 550 points (third largest ever). The prospect of a federal bailout of failing US automakers appeared dim pending the inauguration of Barack Obama. There appeared to be opposition from both the Republican members of the Senate and the office of the incumbent president, George W. Bush, which expressed doubt that the companies could be salvaged.

[Lauder Institute](#)

## 2. Europe

### October 4, 2008

In Paris, the leaders Europe’s largest economies (France, Germany, Italy and the United Kingdom) meet to discuss the crisis. [Lauder Institute](#)

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## October 7, 2008

Icelandic internet bank Icesave blocks savers from withdrawing money. [Lauder Institute](#)

## October 5, 2008

The German government, together with private banks, announces a plan (35 billion euros) to save Hypo Real Estate. The attempt fails. [Lauder Institute](#)

## October 13, 2008

The British government announces it will pump £ 37 billion of emergency recapitalization into the Royal Bank of Scotland, HBOS and Lloyds TSB. Recapitalization: Citibank (\$25 billion), JP Morgan Chase (25), Bank of America (20), Wells Fargo (20), Goldman Sachs (10), and Morgan Stanley (10). The 15 members of the Euro-zone, led by Germany and France, unveil large, coordinated plans along British lines to provide their banks with capital funding. [Lauder Institute](#)

## 3. Switzerland

### October 1, 2008

Swiss bank UBS is the first top-flight bank to announce losses; \$ 3.4 billion due to sub-prime related investments. The Chairman and CEO of the bank step down. [Lauder Institute](#)

## 4. International

### October 9, 2008

The IMF announces emergency plans to bailout governments affected by the financial crisis, after warning that no country would be immune from the ripple effects of the credit crunch. [Lauder Institute](#)

### October 11, 2008

The G7 finance ministers and the IMF meet in Washington and put together a five-point plan, which includes spending billions of taxpayers' money to rebuild the global banking system and reopen the flow of credit. The head of the IMF, Dominique Strauss-Kahn declares in Washington: "Intensifying solvency concerns about a number of the largest U.S.-based and European financial institutions have pushed the global financial system to the brink of systematic meltdown." [Lauder Institute](#)



Source: [bigpicture](#)

### November 15, 2008

International Summit in Washington to reinvent the international financial system. Leaders agreed to cooperate with respect to the global financial crisis and issued a statement regarding immediate and medium term goals and actions considered necessary to support and reform the international economy. The next session will be held April 30, probably in London, after Barack Obama takes office as President of the United States. The initial session, attended by the leaders of the G-20 set forth a road map of proposed reforms which will be followed up

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in coming months by the development of specific proposals, including a comprehensive reform of the Bretton Woods Institutions. [Lauder Institute](#)

### **November 17, 2008**

The Group of 20 leaders from major developed and emerging economies had pledged on their meeting on Saturday short-term measures such as fiscal stimulus in order to try to keep the global economy from falling into a deep slump and promised to look at ways to tighten regulations to prevent future crisis. [Lauder Institute](#)

## **VIII. January -April 2009: Era of Economic Recovery Packages**

Into recession and the car industry is up as a next victim of the financial crisis that needs government support for its survival.

### **1. USA**

#### **January 3, 2009**

Halifax reports that house prices fell 16.2% during 2008 - the biggest drop on record for a single calendar year. [Norton Rose](#)

#### **January 5, 2009**

The US Congress launches an inquiry into the suspected \$50 billion fraud allegedly run by American hedge fund manager Bernard Madoff. [Norton Rose](#)

The Federal Reserve Bank of New York begins purchasing fixed-rate mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae under a program first announced on November 25, 2008.

[Lauder Institute](#)

The Financial Services Authority announces that it will lift the ban on the short-selling of shares on 16 January 2009, but that compulsory disclosure of short-selling positions will remain in place until 30 June 2009.

[Norton Rose](#)

US President-elect Barack Obama describes America's economy as "very sick" and says that the situation is worsening. [BBC](#)

#### **January 6, 2009**

The US Federal Reserve forecasts that the US recession is likely to continue into 2009 with "moderate recovery" in 2010. [Norton Rose](#)

#### **January 7, 2009**

The sharp slowdown in the US economy will push the federal budget deficit to more than \$1 trillion, the non-partisan Congressional Budget Office (CBO) says. [Lauder Institute](#)

The Nationwide Index reveals that house prices are down 15.9% on a year ago.

China Construction Bank announces that Bank of America will sell a 12% stake in the Chinese Bank, in a move that is expected to raise approximately £2 billion. [Norton Rose](#)

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## January 8, 2009

Moody's Investor Services issues a report suggesting that the Federal Home Loan Banks are currently facing the potential for significant accounting write-downs on their \$76.2 billion private-label MBS securities portfolio. According to Moody's, only four of 12 Banks' capital ratios would remain above regulatory minimums under a worst-case scenario. [Moody's Special Comment on FHLB](#)

## January 9, 2009

More US workers lost jobs last year than in any year since World War II, with employers axing 2.6 million posts and 524,000 in December alone. [Lauder Institute](#)

The U.S. Treasury Department purchases a total of \$4.8 billion in preferred stock from 43 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

The Congressional Oversight Panel issues its second monthly report on the expenditure of the Troubled Asset Relief Program (TARP). [Congressional Oversight Panel Press Release](#)

At the request of President-Elect Obama, President Bush submits a request to Congress for the remaining \$350 billion in TARP funding for use by the incoming administration. [White House Press Release](#) | [More Information](#)

## January 13, 2009

Struggling US banking giant Citigroup and its rival Morgan Stanley have agreed a deal which sees the tie-up of their brokerage operations.

The US trade deficit dropped to its lowest level in more than five years in November as the economic slowdown led to lower demand for imports

President Bush has asked Congress to release the remaining \$350bn (£236bn) of US financial bail-out funds after a request from Barack Obama.

The stimulus package proposed by President-elect Barack Obama would give the US economy a "significant boost", says Federal Reserve boss Ben Bernanke.

US retail sales fell by more than expected in December, official figures have shown, as shoppers cut back on spending over the Christmas period.

Barclays says it will cut 2,100 jobs from its UK banking business, in addition to the same number of jobs it cut on Tuesday.

In a sign of deepening fragility among the nation's largest banks, the government is preparing to throw a new multibillion-dollar lifeline to Bank of America, several people briefed on the talks said Wednesday, the latest effort to stem a tide of growing losses in the financial system. [Lauder Institute](#)



Source: [bigpicture](#)

The Federal Home Loan Bank of Seattle reports that it will likely report a risk-based capital deficiency and suspend its dividend because of a decline in the market value of its mortgage-backed securities portfolio. The move follows a similar announcement on January 8 by the Federal Home Loan Bank of San Francisco. [Federal Home Loan Bank of Seattle Press Release](#)

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## January 15, 2009

JPMorgan Chase (JPM: 26.13, 0.211, 0.81%) posted a drop in fourth-quarter income of 76% even though the company had \$2.6 billion in gains. [Lauder Institute](#)

## January 16, 2009

Citigroup capped a devastating 2008 by announcing Friday that it would split into two entities and that it had posted an \$8.29 billion loss for the fourth quarter.

Hours after receiving another government lifeline, Bank of America announced gaping fourth-quarter losses on Friday. The bank lost \$1.79 billion in the fourth quarter, down from a gain of net income of \$268 million a year ago, with the reversal caused largely by growing consumer loan losses.

Bank of America's credit-loss provisions surged, while a preliminary loss of \$15.31 billion at Merrill Lynch showed why BofA needed government help. [Lauder Institute](#)

The U.S. Treasury Department purchases a total of \$1.4 billion in preferred stock from 39 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

The U.S. Treasury Department, Federal Reserve, and FDIC announce a package of guarantees, liquidity access, and capital for Bank of America. The U.S. Treasury and the FDIC will enter a loss-sharing arrangement with Bank of America on a \$118 billion portfolio of loans, securities, and other assets in exchange for preferred shares. In addition, and if necessary, the Federal Reserve will provide a non-recourse loan to back-stop residual risk in the portfolio. Separately, the U.S. Treasury will invest \$20 billion in Bank of America from the TARP in exchange for preferred stock.

[Federal Reserve Press Release](#) | [Term Sheet](#)

The U.S. Treasury Department, Federal Reserve and FDIC finalize terms of their guarantee agreement with Citigroup. (See announcement on November 23, 2008.)

[Treasury Department Press Release](#)



Source: [ecommerce-journal](#)

The U.S. Treasury Department announces that it will lend \$1.5 billion from the TARP to a special purpose entity created by Chrysler Financial to finance the extension of new consumer auto loans. [Treasury Department Press Release](#)

## January 17, 2009

The Economist p. 7 (World this Week)

Citigroup decided to spin off Smith Barney, its broking business, into a joint venture with Morgan Stanley. Citi is expected to offload more assets as it slims down and refocuses. On the commercial and retail-banking divisions that formed its core before its merger with Travelers Group in 1998, when Sandy Weill led the company. The bank has run up billions in net losses during the credit crisis and its share price has plunged over the past two years, to the fury of its investors.

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American employers shed more than half a million jobs in December, bringing the total number of jobs lost in 2008 to 2.6m, the most since the end of the second world war. The unemployment rate rose to 7.2% for the month. Meanwhile, retail sales in December fell by 2.7% from the previous month, the sixth consecutive decline. By some estimates, American stores had their worst holiday shopping season in at least four decades.

### January 22, 2009

Microsoft has said it will cut up to 5,000 jobs over the next 18 months, including 1,400 immediately. Electronics giant Sony has said it is going make its first annual loss in 14 years as the global economic slowdown hits demand for its products. [Lauder Institute](#)

### January 23, 2009

Following President Barack Obama's inauguration on Tuesday 20 January, the Democrats' \$825 billion economic rescue plan was announced. [Norton Rose](#)

The world's largest drug company, Pfizer, has broken through Wall Street's credit freeze to borrow billions of dollars for a \$68bn takeover of rival Wyeth in the first US corporate deal of its scale since the economic crisis began. [Lauder Institute](#)

The American Express Company, the credit card company, said Monday that its profit dropped

79 percent in the fourth quarter as cardholders cut back their spending amid the harsh economy and the company took a significant severance-related charge. [Lauder Institute](#)

The U.S. Treasury Department purchases a total of \$326 million in preferred stock from 23 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### January 24, 2009

President Obama states that 80% of the spending of his economic recovery package will take place within 18 months and that he expects the package to clear the US Congress by mid-February. [Norton Rose](#)

### January 26, 2009

Standard & Poor announces that the jump in the number of US bankruptcies has been accompanied by an drying up of the sources of financing which allow companies to reorganize under the US' Chapter 11 bankruptcy code, leading to US companies facing a greater risk of liquidation. [Norton Rose](#)

### January 28, 2009

Santander offers to compensate private banking clients in Madoff case. [Lauder Institute](#)

The National Credit Union Administration (NCUA) Board announces that the NCUA will guarantee uninsured shares at all corporate credit unions through February 2009 and establish a voluntary guarantee program for uninsured shares of credit unions through December 2010. The Board also approves a \$1 billion capital purchase in U.S. Central Corporate Federal Credit Union. Corporate credit unions provide financing, check clearing, and other services to retail credit unions. [NCUA Press Release](#)

### January 29, 2009

President Barack Obama let rip at troubled Wall Street banks yesterday for paying out billions of dollars in bonuses to staff, accusing them of displaying "the height of irresponsibility" and of letting down the American people. [Lauder Institute](#)

### January 30, 2009

US economy slows at fastest pace in 26 years. [Lauder Institute](#)



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The Board of Governors announces a policy to avoid preventable foreclosures on certain residential mortgage assets held, controlled or owned by a Federal Reserve Bank. The policy was developed pursuant to section 110 of the Emergency Economic Stabilization Act. [Federal Reserve Press Release](#)

The U.S. Treasury Department purchases a total of \$1.15 billion in preferred stock from 42 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### February 3, 2009

The Federal Reserve announces the extension, through October 30, 2009, of the existing liquidity programs scheduled to expire on April 30, 2009. The Board of Governors and the FOMC note "continuing substantial strains in many financial markets." In addition, the swap lines between the Federal Reserve and other central banks are also extended to October 30, 2009. The expiration date for the TALF remains December 31, 2009, and the TAF does not have an expiration date. [Federal Reserve Press Release](#)

### February 6, 2009

The Federal Reserve Board releases additional terms and conditions of the Term Asset-Backed Securities Loan Facility (TALF). Under the TALF, the Federal Reserve Bank of New York will lend up to \$200 billion to eligible owners of certain AAA-rated asset-backed securities backed by newly and recently originated auto loans, credit card loans, student loans and SBA-guaranteed small business loans. [Federal Reserve Press Release](#)

The U.S. Treasury Department purchases a total of \$238.5 million in preferred stock from 28 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

The Office of the Special Inspector General for the Troubled Asset Relief Program issues its quarterly report to Congress on the operation of the Troubled Asset Relief Program. [Special Inspector General TARP](#)

### February 7, 2009

The Economist p. 7 (World this Week)

Tim Geithner, America's treasury secretary, declared that executive pay at companies that receive "exceptional assistance" from the government will be capped at \$500,000 and that any additional compensation would have to be made in restricted stock that won't vest until the public money is repaid. The policy, which does not apply to companies that have already received aid, comes as politicians step up their criticism of what they describe as executive excess at banks that have chalked up massive losses.

WellsFargo scrapped plans to hold a conference in Las Vegas, "in light of the current environment". The bank received \$25 billion in federal aid last year, Goldman Sachs also said that "in light of the current environment" it was rescheduling a hedge-fund managers' conference that had been due to take place in March at a 300-acre luxury resort in Florida.

America's GDP decreased at an annual rate of 3.8% in the fourth quarter of 2008, according to the official first estimate. Had it not been for a sharp rise in the quarter of inventories, economic output would have fallen by just over 5%.



Source: [allisonkilkenny](#)

### February 10, 2009

U.S. Treasury Secretary Timothy Geithner announces a Financial Stability Plan involving Treasury purchases of convertible preferred stock in eligible banks, the creation of a Public-Private Investment Fund to acquire

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troubled loans and other assets from financial institutions, expansion of the Federal Reserve's Term Asset-Backed Securities Loan Facility (TALF), and new initiatives to stem residential mortgage foreclosures and to support small business lending. [Treasury Department Press Release](#) | [Fact Sheet](#)

The Federal Reserve Board announces that is prepared to expand the Term Asset-Backed Securities Loan Facility (TALF) to as much as \$1 trillion and broaden the eligible collateral to include AAA-rated commercial mortgage-backed securities, private-label residential mortgage-backed securities, and other asset-backed securities. An expansion of the TALF would be supported by \$100 billion from the Troubled Asset Relief Program (TARP). The Federal Reserve Board will announce the date that the TALF will commence operations later this month. [Federal Reserve Press Release](#)

### **February 11, 2009**

The heads of Wall Street's biggest banks will confront a potentially hostile congressional committee today with a defiant message that their institutions are lending money and that they have spent taxpayers' funds appropriately. [Lauder Institute](#)

The US Congress announces its two houses have reached agreement on a stimulus package, which will now be worth \$789 billion (£549 billion). [Norton Rose](#)

### **February 13, 2009**

Congress on Friday approved a \$787 billion economic stimulus measure, meeting the crushing mid-February deadline that Democrats had set for adopting the centerpiece of President Obama's early agenda but without quelling partisan divisions in Washington. Not a single House Republican voted for the bill.

Closures in Nebraska, Florida, Illinois and Oregon bring the number of bank failures to 13 this year as the financial crisis continues to roll. [Lauder Institute](#)

The U.S. Treasury Department purchases a total of \$429 million in preferred stock from 29 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### **February 14, 2009**

The Economist p. 7 (World this Week)

Congress reached agreement on the Obama administration's stimulus package. The plan was supported by just three Republican senators, giving it enough votes to avoid a filibuster. The Republicans maintained their criticism that the plan is too costly. Barack Obama went to Indiana and Florida to drum up support from voters in towns hit hard by the recession.

The Economist p. 8 (World this Week)

Bankers in America and Britain faced a roasting at hearings in Congress and Parliament. The chief executives of eight banks, including Bank of America, Citigroup and Goldman Sachs, were contrite in their testimony to congressmen, who wanted to know how the public aid that the banks receive is being spent, and when it would be repaid. Politicians in both countries also blasted bankers for continuing to pay out large bonuses.

General Motors cut 14% of its salaried workforce, or 10,000 employees, as part of a viability plan that it must soon submit to Congress in order to keep its bail-out money.

### **February 17, 2009**

US President Barack Obama has signed his hard-fought economic stimulus plan in Denver, after Congress approved the \$787bn (£548bn) package last week. [Lauder Institute](#)

President Obama signs into law the "American Recovery and Reinvestment Act of 2009", which includes a variety of spending measures and tax cuts intended to promote economic recovery. [American Recovery and Reinvestment Act of 2009](#)

The U.S. Treasury Department releases its first monthly survey of bank lending by the top 20 recipients of

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government investment through the Capital Purchase Program. The survey found that banks continued to originate, refinance and renew loans from the beginning of the program in October through December 2008. [Treasury Department Press Release](#)

### February 18, 2009

The US Federal Reserve has cut its economic forecasts for 2009 and considered setting an inflation target, minutes from its meeting have shown.

President Barack Obama has revealed a long-awaited plan to tackle the US housing crisis, aiming to help up to nine million families. [Lauder Institute](#)

President Obama announces The Homeowner Affordability and Stability Plan. The plan includes a program to permit the refinancing of conforming home mortgages owned or guaranteed by Fannie Mae or Freddie Mac that currently exceed 80 percent of the value of the underlying home. The plan also creates a \$75 billion Homeowner Stability Initiative to modify the terms of eligible home loans to reduce monthly loan payments. In addition, the U.S. Treasury Department will increase its preferred stock purchase agreements with Fannie Mae and Freddie Mac to \$200billion, and increase the limits on the size of Fannie Mae and Freddie Mac's portfolios to \$900billion. [Executive Summary](#)

Troubled US carmakers GM and Chrysler have asked the US government for another \$21.6bn (£15.2bn) in support on top of the \$17.4bn already received. [Lauder Institute](#)

Alan Greenspan states that the US government may have to nationalize some banks on a temporary basis to fix the financial systems and restore the flow of credit. [Norton Rose](#)



Source: [groupechronos](#)

### February 23, 2009

The U.S. Treasury Department, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Office of Thrift Supervision, and the Federal Reserve Board issue a joint statement that the U.S. government stands firmly behind the banking system, and that the government will ensure that banks have the capital and liquidity they need to provide the credit necessary to restore economic growth. Further, the agencies reiterate their determination to preserve the stability of systemically important financial institutions. [Federal Reserve Press Release](#)

### 24 February 2009

The U.S. Treasury Department purchases a total of \$365.4 million in preferred stock from 23 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

Merrill Lynch reveals a \$15.84 billion (£10.9 billion) loss for the year ended 31 December 2008. [Norton Rose](#)

### February 25, 2009

US home re-sales fall to 12-year low as prices fell and buyers delayed purchases ahead of the government's economic stimulus package. [Norton Rose](#)

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The Federal Reserve Board, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency and Office of Thrift Supervision announce that they will conduct forward-looking economic assessments or "stress tests" of eligible U.S. bank holding companies with assets exceeding \$100 billion. Supervisors will work with the firms to estimate the range of possible future losses and the resources to absorb such losses over a two-year period. The assessment process is expected to be completed by the end of April 2009. [Federal Reserve Press Release](#)

### February 26, 2009

In the US, President Barack Obama releases a headline budget which includes a \$250 billion provision for future bailout funds. [Norton Rose](#)

The FDIC announces that the number of "problem banks" increased from 171 institutions with \$116 billion of assets at the end of the third quarter of 2008, to 252 insured institutions with \$159 billion in assets at the end of fourth quarter of 2008. The FDIC also announces that there were 25 bank failures and five assistance transactions in 2008, which was the largest annual number since 1993. [FDIC Quarterly Banking Profile](#)

Fannie Mae reports a loss of \$25.2 billion in the fourth quarter of 2008, and a full year 2008 loss of \$58.7 billion. Fannie Mae also reports that on February 25, 2009, the Federal Housing Finance Agency submitted a request for \$15.2 billion from the U.S. Treasury Department under the terms of the Senior Preferred Stock Purchase Agreement in order to eliminate Fannie Mae's net worth deficit as of December 31, 2008. [Fannie Mae Press Release](#)

### February 27, 2009

The U.S. government will boost its control over Citigroup under a deal to convert up to \$25 billion in government-held preferred shares in the bank to common equity, a person familiar with the deal said Friday. The US economy shrank at an annual rate of 6.2% in the last three months of 2008 official figures show, a far sharper fall than previously reported. [Lauder Institute](#)

The U.S. Treasury Department announces its willingness to convert up to \$25 billion of Citigroup preferred stock issued under the Capital Purchase Program into common equity. The conversion is contingent on the willingness of private investors to convert a similar amount of preferred shares into common equity. Remaining U.S. Treasury and FDIC preferred shares issued under the Targeted Investment Program and Asset Guarantee Program would be converted into a trust preferred security of greater structural seniority that would carry the same 8% cash dividend rate as the existing issue. [Treasury Department Press Release](#)

The Federal Deposit Insurance Corporation (FDIC) announces changes in its risk-based assessment system and a 20 basis point emergency special assessment on insured depository institutions to be collected on September 30, 2009. [FDIC Press Release](#)

The U.S. Treasury Department purchases a total of \$394.9 million in preferred stock from 28 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### February 28, 2009

The Economist p. 10 (World this Week)

Amid the uncertainty, stock markets endured a difficult week, with the Dow Jones Industrial Average closing at its lowest level in nearly 12 years.

JPMorgan Chase slashed its shareholder dividend from 38 cents a share to 5 cents. The news surprised investors. The bank maintained that its first quarter performance so far is "solidly profitable" and capital is "strong". Its decision will save it \$5 billion a year.

General Motors reported a net loss of \$9.6 billion for the last three months of 2008, and \$ 30.9 billion for the whole year. Its liquidity position worsened in the quarter.

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### March 2, 2009

The crisis-stricken insurance company AIG has crashed to the biggest corporate loss in US history, with a deficit of \$61.7bn, after suffering devastating liabilities on policies to protect banks against bad loans.

HSBC Seeks \$18 Billion in Capital and Cuts 6,100 Jobs. [Lauder Institute](#)

The U.S. Treasury Department and Federal Reserve Board announce a restructuring of the government's assistance to American International Group (AIG). Under the restructuring, AIG will receive as much as \$30 billion of additional capital from the Troubled Asset Relief Program (TARP). In addition, the U.S. Treasury Department will exchange its existing \$40 billion cumulative preferred shares in AIG for new preferred shares with revised terms that more closely resemble common equity. Finally, AIG's revolving credit facility with the Federal Reserve Bank of New York will be reduced from \$60 billion to no less than \$25 billion and the terms will be modified. In exchange, the Federal Reserve will receive preferred interests in two special purpose vehicles created to hold the outstanding common stock of two subsidiaries of AIG: American Life Insurance Company and American International Assurance Company Ltd. Separately, AIG reports a fourth quarter 2008 loss of \$61.7 billion, and a loss of \$99.3 billion for all of 2008. [AIG Press Release](#) | [Federal Reserve Press Release](#) | [Treasury Department Press Release](#)

### March 3, 2009

The U.S. Treasury Department and the Federal Reserve Board announce the launch of the Term Asset-Backed Securities Loan Facility (TALF). Under the program, the Federal Reserve Bank of New York will lend up to \$200 billion to eligible owners of certain AAA-rated asset-backed securities backed by newly and recently originated auto loans, credit card loans, student loans and small business loans that are guaranteed by the Small Business Administration. The Federal Reserve and Treasury expect to include asset-backed securities backed by other types of loans in future monthly fundings. Subscriptions for funding in March will be accepted on March 17, 2009. Securitizations will be funded by the program on March 25, 2009. The program will hold monthly fundings through December 2009 or longer if extended by the Federal Reserve Board. [Federal Reserve Press Release](#)

### March 4, 2009

The U.S. Treasury Department announces guidelines to enable servicers to begin modifications of eligible mortgages under the Homeowner Affordability and Stability Plan. [Treasury Department Press Release](#)

### March 6, 2009

The US jobless rate jumped in February to 8.1%, according to official figures from the Labor Department. [Lauder Institute](#)

The U.S. Treasury Department purchases a total of \$284.7 million in preferred stock from 22 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### March 7, 2009

The Economist p. 9 (World this Week)

Analysts continued to pore over the details of Citigroup's third bail-out since October. The latest deal could see the government ending up with a 36% stake in the bank through the conversion of preferred stock to common equity. The conversion price was set at \$3.25 a share, much higher than the \$1.20 or so that Citi's shares traded at this week.

### March 10, 2009

US Federal Reserve chief Ben Bernanke says the world is suffering from the worst financial crisis since the 1930s. [Lauder Institute](#)

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### March 11, 2009

The Federal Reserve Board releases the minutes of its meetings from July 13, 2008 through December 16, 2008 concerning Federal Reserve liquidity facilities and other issues related to the financial turmoil. [Federal Reserve Press Release](#)

Freddie Mac announces that it had a net loss of \$23.9 billion in the fourth quarter of 2008, and a net loss of \$50.1 billion for 2008 as a whole. Further, Freddie Mac announces that its conservator has submitted a request to the U.S. Treasury Department for an additional \$30.8 billion in funding for the company under the Senior Preferred Stock Purchase Agreement with the Treasury. [Freddie Mac Press Release](#)

### March 12, 2009

US carmaker General Motors has said it will not need the \$2bn (£1.45bn) of funding it had previously requested for March from the government.

Madoff admits \$50bn fraud scheme. [Lauder Institute](#)

### March 13, 2009

The White House has sought to assure China that its \$1 trillion (£0.7tn) in investments in the United States is safe despite the economic downturn. [Lauder Institute](#)

The U.S. Treasury Department purchases a total of \$1.45 billion in preferred stock from 19 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### March 14, 2009

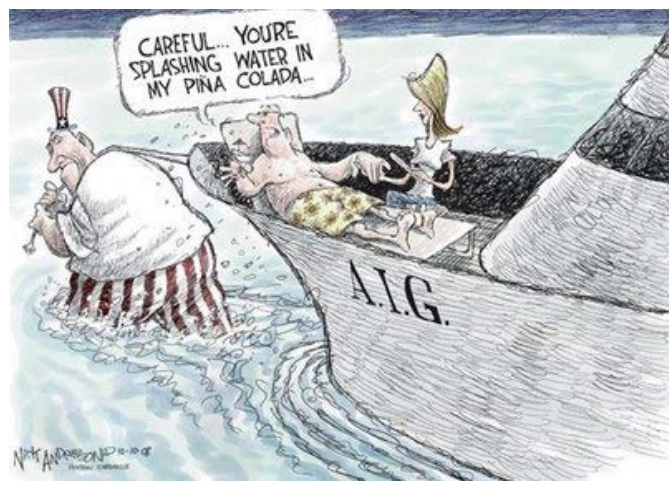
The Economist p. 8 (World this Week)

Vikram Pandit disclosed that Citigroup had a profitable first two months this year, and that, so far, the bank was turning in its best quarterly performance since 2007. Citi's boss divulged the information in an internal memo that was leaked, causing Citi's share price to rise from its death bed, having fallen to around \$ 1. Mr Pandit's optimism spurred a rally in stock markets; the volume of trading in Citi shares was the fourth-largest on record.

### March 16, 2009

American International Group (AIG) faced criticism from President Obama's advisors after plans to pay \$165 million in bonuses. The insurance company received a \$173 billion bail-out. [Norton Rose](#)

The Federal Deposit Insurance Corporation (FDIC) decides to extend the debt guarantee portion of the Temporary Liquidity Guarantee Program (TLGP) from June 30, 2009 through October 31, 2009, and to impose a surcharge on debt issued with a maturity of one-year or more beginning in the second quarter of 2009 to gradually phase-out the program. [FDIC Press Release](#)



Source: [allisonkilkenny](#)

### March 18, 2009

The US Federal Reserve says it will buy almost \$1.2 trillion (£843bn) worth of debt to help boost lending and promote economic recovery. [Lauder Institute](#)

The FOMC votes to maintain the target range for the effective federal funds at 0 to 0.25 percent. In addition, the

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FOMC decides to increase the size of the Federal Reserve's balance sheet by purchasing up to an additional \$750 billion of agency mortgage-backed securities, bringing its total purchases of these securities to up to \$1.25 trillion this year, and to increase its purchases of agency debt this year by up to \$100 billion to a total of up to \$200 billion. The FOMC also decides to purchase up to \$300 billion of longer-term Treasury securities over the next six months to help improve conditions in private credit markets. Finally, the FOMC announces that it anticipates expanding the range of eligible collateral for the TALF (Term Asset-Backed Securities Loan Facility). [Federal Reserve Press Release](#)

The Federal Reserve Bank of New York releases more information on the Federal Reserve's plan to purchase Treasury securities. The Desk will concentrate its purchases in nominal maturities ranging from 2 to 10 years. The purchases will be conducted with the Federal Reserve's primary dealers through a series of competitive auctions and will occur two to three times a week. The Desk plans to hold the first purchase operation late next week. [Federal Reserve Bank of New York Press Release](#)

### March 19, 2009

US lawmakers in the House of Representatives have voted in favor of a bill to levy a 90% tax on big bonuses from firms bailed out by taxpayers.

The dollar has fallen against all major currencies after the US Federal Reserve announced a plan to buy \$1.2tn (£843bn) of debt to boost its economy. [Lauder Institute](#)

The U.S. Department of the Treasury announces an Auto Supplier Support Program that will provide up to \$5 billion in financing to the automotive industry. The Supplier Support Program will provide selected suppliers with financial protection on monies ("receivables") they are owed by domestic auto companies and the opportunity to access immediate liquidity against those obligations. Receivables created with respect to goods shipped after March 19, 2009, will be eligible for the program. Any domestic auto company is eligible to participate in the program. Any U.S.-based supplier that ships to a participating auto manufacturer on qualifying commercial terms may be eligible to participate in the program. [Treasury Department Press Release](#)

The Federal Reserve Board announces an expansion of the eligible collateral for loans extended by the Term Asset-Backed Securities Loan Facility (TALF) to include asset-backed securities backed by mortgage servicing advances, loans or leases related to business equipment, leases of vehicle fleets, and floor plan loans. The new categories of collateral will be eligible for the April TALF funding. [Federal Reserve Press Release](#)

The Federal Reserve Bank of New York releases the initial results of the first round of loan requests for funding from the Term Asset-Backed Securities Loan Facility (TALF). The amount of TALF loans requested at the March 17-19 operation was \$4.7 billion. [Federal Reserve Bank of New York Press Release](#)

### March 20, 2009

The US budget deficit will hit \$1.8tn (£1.25tn) this year, a record amount, according to US Congress estimates. [Lauder Institute](#)

The U.S. Treasury Department purchases a total of \$80.8 million in preferred stock from 10 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### March 21, 2009

US insurance giant AIG paid out a total of \$218m (£150m) in bonuses after accepting bail-out cash, according to a senior US official. [Lauder Institute](#)

The Economist p. 8 (World this Week)

The Federal Reserve said that it would buy up to \$300 billion in long-term American treasury bonds and several hundred billions more in mortgage-backed securities in an attempt to see off the threat of deflation. The unanimous decision came at a meeting of the Fed's Open Market Committee on March 18th.

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## March 22, 2009

A key adviser within US President Barack Obama's administration says she is "incredibly confident" the US economy will recover within 12 months. [Lauder Institute](#)

## March 23, 2009

The US has announced details of a plan to buy up to \$1 trillion (£686bn) worth of toxic assets to help repair banks' balance sheets. [Lauder Institute](#)

The Federal Reserve and the U.S. Treasury issue a joint statement on the appropriate roles of each during the current financial crisis and into the future, and on the steps necessary to ensure financial and monetary stability. The four points of agreement are 1) The Treasury and the Federal Reserve will continue to cooperate in improving the functioning of credit markets and fostering financial stability; 2) The Federal Reserve should avoid credit risk and credit allocation, which are the province of fiscal authorities; 3) The need to preserve monetary stability, and that actions by the Federal Reserve in the pursuit of financial stability must not constrain the exercise of monetary policy as needed to foster maximum sustainable employment and price stability; and 4) The need for a comprehensive resolution regime for systemically critical financial institutions. In addition, the Treasury will seek to remove the Maiden Lane facilities from the Federal Reserve's balance sheet. [Federal Reserve Press Release](#)

The U.S. Treasury Department announces details on the Public-Private Investment Program for Legacy Assets. The program will have two parts: a Legacy Loans Program and a Legacy Securities Program. The Legacy Loans Program will facilitate the creation of individual Public-Private Investment Funds which will purchase distressed loans that are currently held by banks. The U.S. Treasury intends to provide 50 percent of the equity capital for each fund. The FDIC will provide oversight for the formation, funding, and operation of these funds, and guarantee the debt issued by the funds. Under the Legacy Securities Program, the U.S. Treasury Department will approve up to five asset managers who will have the opportunity to raise private capital to acquire distressed securities currently held by banks. The U.S. Treasury will provide 50 percent of the equity capital for each investment fund and will consider requests for loans to each fund. In addition, the investment funds would also be eligible for non-recourse loans from the Term Asset-Backed Securities Facility (TALF). [Treasury Department Press Release](#)

## March 24, 2009

Nine of the top 10 recipients of bonuses from US insurance giant AIG have agreed to return them, New York's attorney general says. [Lauder Institute](#)

## March 25, 2009

Barack Obama has told Americans he sees signs of economic recovery, but urged them to be patient and look beyond their "short-term interests".

The International Monetary Fund has announced major reforms of its lending procedures to member state. [Lauder Institute](#)

The U.S. Treasury Department proposes legislation that would grant the U.S. government authority to put certain financial institutions into conservatorship or receivership to avert systemic risks posed by the potential insolvency of a significant financial firm. The authority is modeled on the resolution authority that the FDIC has with respect to banks and that the Federal Housing Finance Agency has with regard to the GSEs. The authority would apply to non-bank financial institutions that have the potential to pose systemic risks to the economy but that are not currently subject to the resolution authority of the FDIC or the Federal Housing Finance Agency. [Treasury Department Press Release](#) | [Draft Legislation](#)

## March 26, 2009

The U.S. Treasury Department outlines a framework for comprehensive regulatory reform that focuses on



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containing systemic risks in the financial system. The framework calls for assigning responsibility over all systemically-important firms and critical payment and settlement systems to a single independent regulator. Further, it calls for higher standards on capital and risk management for systemically-important firms; for requiring all hedge funds above a certain size to register with a financial regulator; for a comprehensive framework of oversight, protection and disclosure for the over-the-counter derivatives market; for new requirements for money market funds; and for stronger resolution authority covering all financial institutions that pose systemic risks to the economy. [Treasury Department Press Release](#)

### **March 27, 2009**

The U.S. Treasury Department purchases a total of \$193 million in preferred stock from 14 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### **March 28, 2009**

The Economist p. 7 (World this Week)

The furor rumbled on over bonuses paid at Wall Street companies that have received state aid. Andrew Cuomo, New York state's attorney-general persuaded 15 executives at AIG to return theirs. The Senate delayed consideration of its proposal to tax such bonuses punitively after the White House gave the plan a cool reception. The Economist p. 8 (World this Week)

Tim Geithner unveiled long awaited proposals to deal with toxic assets. The American treasury secretary's plan mixes a little private capital with a lot of public money to buy possibly as much as \$1 trillion of the bad assets, which Mr Geithner hopes will "get the securities markets...working again". Five private funds will be approved by the Treasury to manage the program. Firms in the running, such as Black Rock and PIMCO, gave the plan a welcome. Stock markets had their best day in months.

Mr Geithner then testified to Congress along with Ben Bernanke, chairman of the Federal Reserve, and asked for powers to seize failing financial companies, similar to those that exist for taking control of banks. They said the lack of such authority to "unwind an institution of the size and complexity" of American International Group had forced the government to prop up the distressed insurer by taking an 80% stake. In a busy week, Mr Geithner went on to propose a broad overhaul of the regulations governing large hedge funds, private-equity firms and derivatives markets.

### **March 30, 2009**

President Barack Obama has given US carmakers General Motors (GM) and Chrysler strict deadlines to restructure before getting more aid. The chief executive of struggling US car company General Motors has been ordered to step down by US President Barack Obama. [Lauder Institute](#)

### **March 31, 2009**

The General Accounting Office (GAO) releases a report on the status of efforts to address transparency and accountability issues for the Troubled Asset Relief Program (TARP). The report provides information about the nature and purpose of TARP funding through March 27, 2009, the performance of the Treasury Department's Office of Financial Stability, and TARP performance indicators. [GAO Report: March 2009 Status of Efforts to Address Transparency and Accountability Issues \(GAO-09-504\)](#)

The U.S. Treasury Department announces an extension of its temporary Money Market Funds Guarantee Program through September 18, 2009. This program will continue to provide coverage to shareholders up to the amount held in participating money market funds as of the close of business on September 19, 2008. The Program currently covers over \$3 trillion of combined fund assets and was scheduled to end on April 30, 2009. Four bank holding companies announced that they had redeemed all of the preferred shares that they had issued to the U.S. Treasury under the Capital Purchase Program of the Troubled Asset Relief Program (TARP). The four banks are Bank of Marin Bancorp (Novato, CA), Iberiabank Corporation (Lafayette, LA), Old National Bancorp (Evansville, IN), and Signature Bank (New York, NY). [Treasury Department Press Release](#)

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### April 1, 2009

Federal Reserve Chairman Bernanke and Federal Reserve Bank of New York President Dudley respond to questions from the Congressional Oversight Panel about the Term Asset-Backed Loan Facility (TALF), explaining in detail the rationale and operation of the TALF. [Board of Governors' Letter to Congressional Oversight Panel](#) | [Response to Congressional Oversight Panel](#)

### April 2, 2009

KPMG is reportedly sued for US\$1 billion by liquidators of New Century, a former sub-prime lender, in the first big claim against an auditor arising out of the current financial crisis. [Norton Rose](#)

The Financial Accounting Standards Board approves new guidance to ease the accounting of troubled assets held by banks and other financial companies. In particular, the Board provides new guidance on how to determine the fair value of assets for which there is no active market. [FASB Press Release](#)

The U.S. Treasury purchases a total of \$54.8 million in preferred stock from 10 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### April 3, 2009

The US dollar rose briefly above 100 yen in Asian trading on Friday, the first time it had done so since early November 2008. The number of people employed in the US fell by 663,000 in March, according to figures from the Department of Labor. [Lauder Institute](#)

HSBC announces that its £12.5 billion rights issue attracted 96.6% take-up. [Norton Rose](#)

### April 4, 2009

The Economist p. 8 (World this Week)

The American government rejected turnaround plans submitted by General Motors and Chrysler as inadequate. Barack Obama made it clear that he thought controlled bankruptcy might be the best answer to the two carmakers' troubles. GM was given 60 days to avoid that by prodding bondholders to accept deep discounts on the price of their debt and unions to make wider concessions. Chrysler was given a month to agree a partnership with Italy's Fiat.

Another couple of twitches were detected in moribund housing markets. An Index of pending home-sales in America, which measures sales not yet completed, rose by 2.1% in February from a month earlier.

### April 6, 2009

The Federal Reserve announces new reciprocal currency agreements (swap lines) with the Bank of England, the European Central Bank, the Bank of Japan and the Swiss National Bank that would enable the provision of foreign currency liquidity by the Federal Reserve to U.S. financial institutions. [Federal Reserve Press Release](#)

### April 7, 2009

The Congressional Oversight Panel releases its monthly report on the Troubled Asset Relief Program (TARP). This report, entitled "Assessing Treasury's Strategy: Six Months of TARP," provides information about expenditures and commitments to date of TARP funds, evaluates the Treasury Department's strategy for improving the condition and functioning of financial institutions and markets, and discusses potential policy alternatives. [Congressional Oversight Panel Press Release](#)

### April 9, 2009

General Motors and Chrysler launch supplier support program, backed by \$5 million in government loans. [Norton Rose](#)

The Financial Accounting Standards Board issues three final Staff Positions intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities.

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## [FASB Press Release](#)

### **April 10, 2009**

The U.S. Treasury purchases a total of \$22.8 million in preferred stock from 5 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### **April 17, 2009**

The U.S. Treasury purchases a total of \$40.9 million in preferred stock from 6 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### **April 21, 2009**

The Office of the Special Inspector General for the Troubled Asset Relief Program issues its quarterly report to Congress on the operation of the Troubled Asset Relief Program. [Special Inspector General TARP](#)

### **April 23, 2009**

The Federal Reserve publishes the annual financial statements for the combined Federal Reserve Banks, the 12 individual Federal Reserve Banks, the limited liability companies that were created in 2008 to respond to strains in the financial markets, and the Board of Governors for the years ended December 31, 2008 and 2007. [Federal Reserve Press Release](#)

US Treasury Secretary Tim Geithner admits that America must take a “substantial share” of the blame for the continuing financial crisis, as he warns that the rest of the world cannot be reliant on the US for its recovery. [Norton Rose](#)

### **April 24, 2009**

The Federal Reserve Board publishes a white paper describing the process and methodologies employed by federal banking supervisory authorities in their forward looking assessment (“stress test”) of large U.S. bank holding companies. [Federal Reserve Press Release](#)

The U.S. Treasury purchases a total of \$121.8 million in preferred stock from 12 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### **April 25, 2009**

The Economist p. 10 (World this Week)

More American banks reported first-quarter earnings. Bank of America unveiled a \$4.2 billion net profit, thanks in part to better performance from Merrill Lynch, a much-maligned acquisition. Before dividend payments to preferred shareholders, Citigroup posted its first profit in six quarters. Wells Fargo confirmed a surge in earnings bought by a wave of mortgage refinancing. But Morgan Stanley posted a worse-than-expected loss of \$177m.

### **April 27, 2009**

US Treasury Secretary Timothy Geithner assured the World Bank and the International Monetary Fund that the US would take whatever policy steps were necessary to ensure economic recovery, on both a national and international level. [Norton Rose](#)

### **April 29, 2009**

The US economy continued to contract in the first quarter of 2009, led by the biggest fall in exports for 40 years.

The US Federal Reserve has kept interest rates on hold at its current range of between zero and 0.25%, and suggested the recession may be easing. [Lauder Institute](#)

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## April 30, 2009

US carmaker Chrysler has filed for Chapter 11 bankruptcy protection, and has formed an alliance with Fiat, President Obama has said. [Lauder Institute](#)

## 2. Europe

### January 6, 2009

House prices in England fell by 15.9% last year, according to the latest survey by the nationwide building society.

Inflation in the Eurozone fell by more than expected in December to 1.6%, from November's figure of 2.1%, according to the EU statistics office Eurostat. [Lauder Institute](#)

### January 8, 2009

The Bank of England cuts interest rates to 1.5%, the lowest level in its 315 year history.

Commerzbank, Germany's second-biggest bank, says it is to be partly nationalized, with the German government taking a 25%, plus one share, for €10 billion. [Norton Rose](#)

### January 9, 2009

It is announced that the US jobless rate rises to 7.2% in December, the highest in 16 years. [Lauder Institute](#)

### January 10, 2009

The UK economy shrank by 1.5% in the last three months of 2008, its worst performance in 28 years, a think tank has concluded. [Lauder Institute](#)

### January 13, 2009

Germany's economy grew by just 1.3% in 2008 as the global financial slowdown hit demand for its exports. [Lauder Institute](#)

### January 14, 2009

Deutsche Bank has issued a profits warning, saying it made an estimated loss of 4.8bn euros (\$6.4bn; £4.4bn) in the fourth quarter of last year. [Lauder Institute](#)

### January 15, 2009

French president Nicolas Sarkozy on Thursday called for curbs on dividend payments by French banks and for top executives to renounce any bonuses as conditions for a fresh capital injection by the government.

The European Central Bank decided to lower its main interest rate by half of a percentage point to 2% amid mounting evidence of lower prices and weaker activity. [Lauder Institute](#)

### January 16, 2009

The [Anglo Irish Bank](#) today moved to reassure its UK savers that their money is entirely safe after the bank was dramatically nationalized last night by the Irish government. [Lauder Institute](#)

Santander speeds up integration of its three British banks

### January 18, 2009

Denmark unveils bank loan package offering up to Dkr100 billion (€13.4 billion) in loans to recapitalize its struggling banks and encourage them to restart lending. Injections of tier one hybrid capital at an average rate of

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interest of between 9% and 11.25% (depending on the individual bank's credit rating, capital adequacy and liquidity risk). Loans to banks could total up to Dkr75 billion, with mortgage credit institutions receiving a further Dkr25 billion. [Norton Rose](#)

### January 19, 2009

The government of Prime Minister Gordon Brown announced on Monday a new bailout for the British financial system that increases its control over lenders, saying it would offer banks insurance on troubled assets and take other measures to restore credit and support the foundering economy.

Britain launched a second bank rescue plan on Monday and Royal Bank of Scotland recorded the biggest loss in UK corporate history, while a cut in Spain's credit rating caused fresh market wobbles.

Royal Bank of Scotland shares have plunged 67% after the bank said it was heading for a record loss.

After a first round of costly bank bailouts and stimulus programs came up short, governments in Europe and the United States are moving more forcefully to assure that bailed-out banks lend more money to offset the recession that has engulfed both continents.

European stock markets declined Monday with banks in free fall as investors fretted over a second British government bailout of the sector in just over three months. Royal Bank of Scotland shares fell 60 percent after it announced significant losses. Germany's DAX was down 0.9 percent, while France's CAC-40 fell 0.7 percent. The Eurozone economy will shrink 1.9% in 2009 and grow by only 0.4% in 2010, the European

Commission has forecast. [Lauder Institute](#)

The second UK government bank bailout scheme was announced.

Expectations that RBS will end up under total state control and the announcement that it suffered a £20 billion loss last year, the biggest loss in British corporate history, sent share prices tumbling 66.6% to 11.6p. [Norton Rose](#)

Slowdown sharpens but growth will come back before the end of 2009. "The measures to stabilize the financial market, the easing of monetary policies and the economic recovery plans will enable us to put a floor under the deterioration of the economy this year and create the conditions for a gradual recovery in the second part of 2009. The top priority is to make those measures work effectively: to improve the flows of credit at reasonable prices and to implement the fiscal stimulus packages quickly to stimulate investment and private consumption. To boost confidence, it is also crucial that Member States explicitly commit that they will reverse the deterioration of public finances as soon as we return to normal economic times so as to ensure the medium-to-long term sustainability of public finances", said Joaquín Almunia, Economic and Monetary Affairs Commissioner. [Europa](#)

### January 20, 2009

Big fall in UK inflation to 3.1%.

John McFall, confidant of Gordon Brown and chairman of the Treasury select committee, called for the complete nationalization of Lloyds and Royal Bank of Scotland tonight after shares in both banks crumbled, the pound skidded to a seven-year low against the dollar and government bonds were sold off sharply.

The Italian automaker Fiat agreed on Tuesday to take a 35 percent stake in the struggling American auto company Chrysler, which was forced last month to seek a federal bailout amid fears it might not survive.

[Lauder Institute](#)

Standard & Poor's downgraded the economy of Spain from AAA to AA+ stating that the global economic crisis had heightened the "structural weakness" of Spain's economy. A key factor in lowering the credit rating was Spain's growing deficit, which is predicted to range from 5.8% to 6.6% of GDP. [Norton Rose](#)

### January 21, 2009

Unemployment in UK leapt closer to the 2 million level in the three months to November as 131,000 people lost their jobs, pushing the jobless total to its highest since September 1997. Jobless rate expected to hit 3

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million by 2010 Bank bail-outs taking a heavy toll on public finances Bank of England voted 8-1 to cut interest rates to 1.5% French government to pump €6bn into ailing car industry.

Two of the UK's biggest customer-owned banks are to merge to create a "super-mutual", it was announced today. Co-operative Financial Services and Britannia building society have agreed the deal, which will create a business with £70bn in assets, nine million customers and more than 300 branches.

Britain's public finances took a big hit in December from the government's recapitalization of Royal Bank of Scotland Group (RBS).

Germany has predicted that its economy will shrink by 2.25% in 2009, which would be its worst performance in the post-World War II era. [Lauder Institute](#)

Société de Financement de l'Economie Française, a French state-controlled agency, is looking to US investors for the first time to help raise several billion dollars of bail-out funding for the country's banks. It is the first time France has sold government guaranteed bonds in dollars and highlights moves by European banks and agencies to diversify funding sources ahead of a tidal wave of issuance that could weigh on the market.

The pound dropped to a 23-year low against the dollar as concerns about the UK financial system continued to undermine sterling.

The Bank of England is to start buying billions of pounds in high-grade corporate bonds within weeks in a fresh attempt to encourage lending and avert a deep and prolonged recession.

Standard & Poor reduced Portugal's long-term rating to AA minus. [Norton Rose](#)

### January 23, 2009

Official data due later is expected to confirm the UK is in a recession for the first time since the early 1990s. Banking crisis brings down Iceland government. [Norton Rose](#)

### January 26, 2009

Philips cuts 6,000 jobs after first loss in five years. Europe's biggest electronics consumer group reports net €1.5bn (£1.4bn) loss in the final quarter of 2008.

Dutch banking giant ING has said it is to cut 7,000 jobs as it seeks to save 1bn euros (\$1.29bn; £949m). [Lauder Institute](#)

The European Commission adopted a set of decisions to strengthen the supervisory framework for EU financial markets to improve supervisory cooperation and convergence between Member States and to reinforce financial stability. Under the new rules, the supervision of securities, banking and insurance sectors will benefit from a clearer operational framework and more efficient decision-making processes. The Commission also proposed EU financial support for the supervising committees and key bodies involved in the standard-setting process for financial reporting and auditing at both EU and international level. The proposal for financial support passes to the Council and the European Parliament for consideration. [Europa](#)

### January 27, 2009

Chancellor Angela Merkel's cabinet approved a €50bn (£46.7bn) stimulus package today, the biggest program in Europe, to tackle overcome the country's deepest economic crisis since the Second World War. [Lauder Institute](#)

### January 29, 2009

Bank of England to use £50bn of taxpayers' money to ease credit crunch. [Lauder Institute](#)

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## January 30, 2009

Iceland will be put on a fast track to joining the European Union to rescue the small Arctic state from financial collapse amid rising expectations that it will apply for membership within months, senior policy-makers in Brussels and Reykjavik have told the Guardian.

Unemployment across the nations that share the euro rose to its highest level in more than two years last month, as more firms laid off staff. [Lauder Institute](#)

## January 31, 2009

Governments across Europe tremble as angry people take to the streets.

## February 2009

France's Prime Minister Francois Fillon has unveiled a series of measures worth 26bn euros (\$33.1bn; £23.5bn) designed to "revitalize" the French economy. [Lauder Institute](#)

## February 3, 2009

The EU and Canada have warned that a clause in the US economic recovery package could promote protectionism.

The number of people out of work in Spain increased by 199,000, or 6%, in January from the previous month, official figures show. [Lauder Institute](#)

## February 5, 2009

Deutsche Bank says it made an annual loss last year, its first since being restructured after World War II.

The European Central Bank (ECB) has kept interest rates unchanged at 2%, but has left open the option of cutting rates at its next meeting in March.

The average price of UK homes rose by 1.9% in January from December's figure, according to the Halifax.

The Bank of England has reduced interest rates to a record low of 1% from 1.5%, in an attempt to boost the shrinking economy. [Lauder Institute](#)

## February 6, 2009

French President Nicolas Sarkozy has defended his plans to revive the French economy, saying state intervention with banks has so far cost people nothing.

France's trade deficit hit 55.7bn euros (\$71.4bn; £48.6bn) in 2008, due to high oil prices and the slowing economy, the customs office said.

German industrial output has seen a record fall after a sharp contraction in manufacturing activity. [Lauder Institute](#)

## February 10, 2009

The French and Italian national statistics offices announce that both states; industrial output had fallen in December.

The Treasury Select Committee of the UK House of Commons questions the former Chairmen and Chief Executive Officers of Royal Bank of Scotland and HBOS about mistakes made in the merger of the two banks and their roles in the run up to the financial crisis. Later in the week, current senior executives on the UK's five largest banks were questioned about their responsibility for the crisis. [Norton Rose](#)

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## February 11, 2009

Sweden's central bank lowered its key interest rate Wednesday to a record-low 1%, and said further monetary policy loosening may lie ahead as the economic outlook continues to darken. [Lauder Institute](#)

Europe sank even deeper into recession than the United States in the closing months of last year, according to figures published Friday, as finance ministers of leading industrialized nations gathered in one of the worst-affected countries, Italy, for discussions on the crisis.

Euro zone GDP dips 1.5% Germany, France and Italy all suffer in the quarter, weighing on hopes for recovery.

A shock profits warning by Lloyds Banking Group knocked 32% off the bank's share price today and raised speculation that the taxpayer may be forced to take a majority stake in the banking giant created with the intervention of Gordon Brown. [Lauder Institute](#)

February's level falls back to November lows, as a majority think the economic downturn will last five more years. [Lauder Institute](#)

## February 13, 2009

German official figures show that the country has experienced the sharpest fall (2.1%) in gross domestic product in the final quarter of 2008 since the country was reunified in 1990. [Lauder Institute](#)

## February 14, 2009

Euro-Zone Economy Registers a Grim Performance GDP Shrank an Annualized 5.9% in Fourth Quarter, Ratcheting Up Pressure on Governments, Central Banks

Chancellor Alistair Darling has announced that the government is limiting bonuses paid out to staff by the Royal Bank of Scotland (RBS). [Lauder Institute](#)

## February 18, 2009

The German cabinet has agreed on a draft law that will allow it to temporarily nationalize troubled banks.

The European Commission has taken disciplinary steps to tackle swelling budget deficits in six EU countries. [Lauder Institute](#)

German government considers law to allow the nationalization of Hypo Real Estate, which it describes as a "systematically relevant" institution that cannot be allowed to fail. This would be the first bank nationalization in Germany since the 1930s.

RBS announces plans to pay bonuses of £175 million this year, a drop by 90% from the previous year, after ministers exercised their rights of veto. [Norton Rose](#)

## February 20, 2009

Germany has approved a 50bn euro (\$63bn, £44bn) stimulus plan aimed at boosting Europe's largest economy. [Lauder Institute](#)

## February 22, 2009

European leaders in Berlin have agreed on the need to regulate all financial markets including hedge funds.

UK may get cash injection 'soon'. A government minister has suggested that plans to inject more cash into the economy could happen "quite soon". [Lauder Institute](#)

European leaders meet in Berlin, prior to April's G20 summit, to discuss adopting a common approach to the global economic downturn. Measures considered include toughening up on tax havens and doubling the IMF's



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fund. The new Banking Act came into force in the UK over the weekend. This gives the Bank of England more power to provide assistance to struggling banks. [Norton Rose](#)

### February 23, 2009

The finance minister Christine Lagarde said Monday that the French government would inject up to 5 billion euros, or \$6.4 billion, into the bank that would be formed from the merger of Caisse d'Épargne and Banque Populaire, through the purchase of bonds that could be converted into shares.

Sarkozy adviser may head merged banking giant. [Lauder Institute](#)

News emerges of The Royal Bank of Scotland's imminent announcement of its restructuring plan. It is expected that RBS will split into two and sell around 20% of its business. It is also expected to put £250 billion into the government's asset insurance scheme to encourage lending.

Cattles, the UK sub-prime lender, announces that it is considering the UK Government's bail-out package after delaying its full year results.

Northern Rock announces that it is to make available up to £14 billion in new mortgage lending following a capital injection, despite reporting a £1.4 billion loss for 2008. Northern Rock had previously been shrinking its mortgage book to help repay its loan from the UK Government. [Norton Rose](#)

### February 26, 2009

Part-nationalized British banking group RBS announced massive losses for 2008, totaling \$34.6 billion Thursday. The results are the worst in British corporate history. Citigroup is nearing an agreement with federal regulators to increase the government's stake in the bank to as much as 40%, according to a published report.

Brussels looks at Europe-wide bank regulation. [Lauder Institute](#)

The UK Government agrees to inject up to £25.5 billion of additional capital into RBS after the bank reported record annual losses. The Treasury has subscribed to £13 billion of new preference shares as part of the UK government's asset protection scheme. RBS is putting £32 billion of assets into the scheme. [Norton Rose](#)

The assistance comes after the ECOFIN Council decided on 20 January 2009 to provide balance of payments assistance of up to €3.1 billion to Latvia. A Memorandum of Understanding and a Loan Agreement, setting out the fiscal, financial sector and structural reform conditions attached to this assistance, were signed on 26 January. [Europa](#)

### February 27, 2009

The banking sectors in Central and Eastern Europe are to get a 24.5bn euro (\$31bn; £21.8bn) rescue package to support them in the economic crisis. [Lauder Institute](#)

### March 2, 2009

Mortgage lending slumped by 60% in January with the net value of new loans falling to just £690m, figures from the Bank of England showed today. [Lauder Institute](#)

### March 3, 2009

The number of unemployed people in Spain jumped by 154,058 in February, as the deepening recession forced companies to lay off more workers. Sales of new German cars jumped by almost a quarter in February, as a cash bonus for scrapping old cars encouraged consumers to buy new ones. As it reported a 70% drop in 2008 net profit, HSBC Holdings PLC unveiled a plan to raise £12.5 billion (\$17.9 billion) in capital it is counting on to ride out the financial storm's impact on Asia and a U.S. consumer-lending market it plans to exit. [Lauder Institute](#)

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The European divisions of General Motors (GM) could collapse within weeks without European governments' help, GM's top executive has warned. [Lauder Institute](#)

### March 4, 2009

The central banks of the Czech Republic, Bulgaria, Poland, Romania and Slovakia have issued a joint statement defending their economies. [Lauder Institute](#)

### March 5, 2009

The Bank of England has cut interest rates to 0.5% - a fresh all-time low - and says it will now boost the money supply to help revive the economy.

The European Central Bank (ECB) has cut its key interest rate to 1.5% from 2.0%, the lowest since it started setting euro rates in January 1999. [Lauder Institute](#)

### March 6, 2009

German carmaker Opel should consider entering insolvency, the country's interior minister has said.

Fortis Bank, which is owned by the Belgian government, has warned that it will report bigger- than-expected losses for the last three months of 2008. [Lauder Institute](#)

It is announced that the Bank of England will pump £150 billion into UK economy via a scheme of quantitative easing. [Norton Rose](#)

### March 9, 2009

The last major Icelandic bank left standing after the country's financial collapse in October is being closed down by the financial authorities.

The pound has sunk back below \$1.40 to a six-week low, as confidence in the UK economy took yet another knock following falls in bank shares. [Lauder Institute](#)



Source: [toonpool](#)

### March 10, 2009

The Irish Republic's economy will shrink by more than 6% this year, the country's top central banker has said.

German export earnings fell by a fifth in January as the world's largest exporter was hit hard by a drop in demand for its goods overseas.

Britain's retailers suffered falling sales in February, partly as a result of the heavy snow, according to the British Retail Consortium (BRC). [Lauder Institute](#)

The European Union publishes an assessment that claims the recession may last until 2010. The assessment document paints a darker picture of the EU's outlook than previous forecasts published by the European Commission. [Norton Rose](#)

### March 11, 2009

The Government Pension Fund of Norway suffered a 633bn kroner (\$92bn; £66bn) loss on its investments in 2008. England starts £2bn spending spree. Barroso defends EU's handling of economic crisis. [Lauder Institute](#)

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### **March 12, 2009**

BMW's profits tumble nearly 90%. [Lauder Institute](#)

### **March 13, 2009**

It is reported that Germany's industrial production, orders and profits have collapsed. Output slumped 7.5% in January which amounted to the biggest monthly slide since reunification in 1991, and is 19.3% lower than the same month last year. Forecasters predict the economy will shrink by 3.7% this year.

In the UK the Council of Mortgage Lenders (CML) figures showed mortgage lending fell to a record low in January. Only 23,400 house purchase loans were completed, 28% down from December 2008. [Norton Rose](#)

### **March 16, 2009**

As part of Chancellor Alistair Darling's plans to add to the UK public purse, Rothschild is appointed to prepare the sale of Royal Mint. This is part of the plans to sell various government-owned organizations, including 33% of Royal Mail. [Norton Rose](#)

### **March 18, 2009**

In a bid to tighten regulation, the European Commission will propose binding rules on hedge funds and private equity groups. The proposals are to be published on 21 April 2009, and will include a draft policy on pay in the financial sector. [Norton Rose](#)

### **March 19, 2009**

In the UK, Lord Turner, chairman of the Financial Services Authority, releases his report. It is a comprehensive attempt to set out a detailed blueprint for regulatory reform in the wake of the global financial crisis. [Norton Rose](#)

### **March 20, 2009**

Eurozone industrial output plunged by 3.5% in January compared with the previous month, the biggest decline since records began in 1990. [Lauder Institute](#)

### **March 23, 2009**

Four top bosses at French bank Société Generale have handed back thousands of stock options, after public criticism and a call from the government. [Lauder Institute](#)

### **March 24, 2009**

Figures are released that show UK unemployment rising above 2 million for the first time since 1997. [Norton Rose](#)

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### March 25, 2009

A UK Government bond auction fails for the first time in seven years as investors refuse to buy securities because of worries over the country's deteriorating public finances. The auction for the long dated bonds (due to mature in 2049) fell short of the £1.75 billion target. [Norton Rose](#)

### March 26, 2009

The Irish Republic's economy has suffered its largest contraction in recent decades. [Lauder Institute](#)

### March 27, 2009

Commerzbank has warned its 2009 earnings will be badly affected, as it revealed its toxic assets totaled more than 50bn euros (£46.9bn; \$68bn). [Lauder Institute](#)

### March 29, 2009

France's biggest carmaker, PSA Peugeot Citroen, has sacked its chairman weeks after it announced huge losses and a massive program of job cuts. [Lauder Institute](#)

### March 30, 2009

In the UK regulators and investors decide a rescue of the entire institution of Dunfermline Building Society is not viable, meaning that taxpayers could end up owning the loan book of Scotland's largest building society.

The Spanish Government and Bank of Spain begin Spain's first bank rescue in the current financial crisis, providing up to € billion liquidity to Caja Castilla La Mancha. [Norton Rose](#)

### March 31, 2009

Germany's unemployment rate rose to 8.6% in March as the global economic downturn continued to tighten its grip on Europe's largest economy.

Fortis, once the largest bank in Belgium and the Netherlands, has said it made a net loss last year of 28bn euros (£26bn). [Lauder Institute](#)

### April 1, 2009

Unemployment across the Eurozone rose to its highest level in almost three years in February as the economic downturn continues to tighten its grip.

France and Germany have called for tougher regulation for the world's financial system at the G20 summit. [Lauder Institute](#)

### April 3, 2009

UK house prices fell by 1.9% in March compared with the previous month.

The Bank of Spain has predicted that the country's rate of unemployment will reach 17.1% in 2009 and 19.4% in 2010. [Lauder Institute](#)

### April 6, 2009

February's fall in Eurozone retail sales was unexpectedly severe amid shrinking consumer spending. [Lauder Institute](#)

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### April 7, 2009

The Eurozone economy shrank more than previously estimated in the last three months of 2008, official figures say. [Lauder Institute](#)

Hedge fund and private equity managers will need to be registered hold a minimum level of capital and disclose information on borrowing to regulators under a draft EU proposal. This is to avoid a repeat of the 1998 collapse of Long Term Capital Fund Management. [Norton Rose](#)

### April 8, 2009

RBS slashes 9,000 jobs to save £2.5 billion by 2011.

Irish government brings out its second budget in 6 months to try to turn around the Irish economy. [Norton Rose](#)

### April 9, 2009

The European Union rules on state aid to troubled banks may have been breached by the recent nationalization of Fortis' Dutch banking unit and the Dutch government's acquisition of an interest in ABN AMRO. [Norton Rose](#)

### April 10, 2009

Germany reveals plans for its first nationalization of a bank in the post war era. The bank in question is Hypo Real Estate and the German government intends to offer investors €1.39 per share. [Norton Rose](#)

### April 13, 2009

The UK Financial Services Authority announces that it is to launch a formal inquiry into the financial crisis. It is expected to cover issues such as risk management processes, the amount of information available to shareholders and the behavior of directors. It is thought that this move could see banking bosses being brought to account for their actions. [Norton Rose](#)

### April 14, 2009

Goldman Sachs is reported to be preparing details of a US\$6 billion rights issue in an attempt to repay part of its US government loan. [Norton Rose](#)

### April 22, 2009

Alistair Darling, UK Chancellor, releases the UK budget and admits that Britain's public finances face their toughest times since World War II as Britain is in the midst of its worst peacetime recession. Measures in the budget include an increase of income tax to 50% for those earning £150,000 or over, an increase on beer, tobacco and fuel duties and cash for scrap page incentive scheme offering people £2,000 to trade in old cars for new ones, in an effort to stimulate the troubled car industry. [Norton Rose](#)

### April 28, 2009

The Lithuanian economy shrank by 12.6% in the first quarter of 2009 compared with the same period last year, the country's statistics office has said. [Lauder Institute](#)

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## April 29, 2009

The German government says the country's economy will shrink 6% this year, in a dramatic revision to its earlier forecast of a 2.25% decline. [Lauder Institute](#)

## April 30, 2009

Unemployment across the 27 EU member states reached 20 million in March. [Lauder Institute](#)

The Federal Reserve left interest rates unchanged and stated that the US economy is demonstrating signs of improvement. 30 April 2009

The EU Commission's proposals for new hedge fund rules are released. The proposals are criticized by some for going too far and by others for not going far enough. [Norton Rose](#)

## 3. Switzerland

### February 10, 2009

UBS posts a 2008 loss of 21.3 billion Swiss francs, the biggest ever annual loss for a Swiss company and cuts 2,000 jobs. [Reuters](#)

Bad debt leads to big loss at UBS. Switzerland's largest bank, has reported a loss of 19.7bn Swiss francs (\$16.8bn; £11.3bn) for 2008, due to write-downs at its investment unit. UBS had to be bailed out by the Swiss government in October. The bank, which has been hit by bad debts that sparked the credit crunch, said it made a loss of 8.1bn Swiss francs between October and December. [BBC](#)

### February 11, 2009

Credit Suisse today reported a record full-year loss of 8.2bn Swiss francs (£4.91bn) after suffering losses of 14.2bn francs at its investment bank in 2008. Swiss banking giant UBS AG announced more staffing cuts at its investment-banking operation, saying it would cull more than 2,000 jobs as it reported the largest annual loss ever by a Swiss company. [Lauder Institute](#)

### February 18, 2009

Agrees to pay \$780 million and identify certain U.S. clients in a landmark deal to resolve criminal fraud charges that it assisted rich Americans to evade taxes. [Reuters](#)

UBS has agreed to pay \$780m (£549m) to the US government to settle allegations that it defrauded US tax authorities, the Justice Department has said. [Lauder Institute](#)

### February 19, 2009

U.S. tax authorities say they are still pursuing a civil lawsuit seeking to access details on 52,000 UBS clients. [Reuters](#)

Swiss bank UBS has refused a US government demand to provide information on 52,000 US clients. [Lauder Institute](#)

### February 20, 2009

UBS warns that it could go out of business if it complies with an order to reveal names of thousands of suspected U.S. tax dodgers with secret offshore accounts at the bank. [Reuters](#)

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### February 23, 2009

Shares fall to a new all-time low, dropping below 10 Swiss francs after a barrage of criticism over its handling of a U.S. probe into tax fraud. [Reuters](#)

### February 24, 2009

Group of Rich Americans Sues UBS to Keep Names Secret in Tax Case

UBS was sued in a Swiss federal court by wealthy American clients seeking to prevent the disclosure of their identities as part of a tax-evasion investigation by the United States Justice Department. The lawsuit accuses UBS and Switzerland's financial regulator, the Swiss Financial Market Supervisory Authority, or FINMA, of violating Swiss bank secrecy laws and of conducting what Swiss law considers illegal activities with foreign authorities. It also named Peter Kurer, the chairman of UBS, and Eugen Haltiner, the chairman of FINMA, as defendants. [NYT](#)

UBS may reportedly face a mini-trial in a U.S. court in July as it fights efforts to force it to disclose names of 52,000 U.S. clients suspected of offshore tax evasion. [Reuters](#)

### February 26, 2009

UBS appoints new chief executive. Swiss bank UBS has appointed Oswald Gruebel, the former head of Credit Suisse, as its new chief executive. Mr. Gruebel will replace Marcel Rohner, who has overseen a difficult time at the company. [BBC](#)

UBS appoints Gruebel, who masterminded a turnaround at rival Credit Suisse as CEO, replacing Marcel Rohner. [Reuters](#)

### March 1, 2009

Switzerland is now an international whipping boy. This year it suffered the indignity of being refused an invitation to the international G20 conference to be held in London in April to discuss reforms to the global financial system - despite a plea by president Merz, who doubles as his country's finance minister, to Gordon Brown at the World Economic (WEF) meeting in the Swiss ski resort of Davos at the end of January. [Guardian](#)

### March 4, 2009

UBS replaces chairman Peter Kurer with former Swiss finance minister Kaspar Villiger. Swiss bank UBS said Chairman Peter Kurer will not seek re-election at April's annual general meeting, and that the board is nominating former Swiss finance minister Kaspar Villiger to succeed him. [Telegraph](#) [Reuters](#)

### April 2, 2009

U.S. authorities arrest and charge an accountant in Florida in the first of what they say could be a series of tax evasion prosecutions of American clients of UBS. [Reuters](#)

One of the world's largest reinsurers, Swiss Re, plans to cut 10% of its workforce, or 1,150 jobs, over the next year as it seeks to reduce costs. [Lauder Institute](#)

### April 15, 2009

UBS has said it will seek to cut costs by shedding 8,700 jobs by next year. The news came as the bank announced it had lost about 2bn Swiss francs (\$1.75bn; £1.2bn) in the first three months of 2009. [BBC](#)

## 4. International

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### **January 28, 2009**

World economic growth is set to fall to just 0.5% this year, its lowest rate since World War II, warns the International Monetary Fund. [Lauder Institute](#)

### **February 14, 2009**

Finance ministers from The Group of Seven industrialized nations pledge to fight rising protectionism during the global economic downturn. [Lauder Institute](#)

### **February 19, 2009**

The head of the International Monetary Fund has told the BBC that he expects more countries to request financial aid to survive the global slowdown. [Lauder Institute](#)

### **March 9, 2009**

The global economy will shrink this year for the first time since World War II, the World Bank has said. [Lauder Institute](#)

### **March 10, 2009**

The world economy is likely to shrink for the first time in decades this year, the head of the International Monetary Fund (IMF) has warned. [Lauder Institute](#)

### **March 14, 2009**

Finance ministers from the G20 group of rich and emerging nations have pledged to make a "sustained effort" to pull the world economy out of recession. [Lauder Institute](#)

### **March 18, 2009**

The International Monetary Fund warns that the UK economy will keep shrinking in 2010, while its competitors will be experiencing recoveries. This year, the UK economy is predicted to shrink by 3.8%. [Norton Rose Rose](#)

### **March 20, 2009**

The head of the Organization for Economic Cooperation (OECD) has said that the world economy is likely to shrink this year.

EU leaders have urged the G20 leading economies to double the money available to the International Monetary Fund to help countries in financial difficulty. [Lauder Institute](#)

### **March 23, 2009**

Global trade flows are set to shrink by 9% during 2009, according to a forecast by the World Trade Organization (WTO). [Lauder Institute](#)

### **March 24, 2009**

Banking leaders from around the world have told the UK prime minister and chancellor to go slow on banking reform ahead of the G20 summit next week. [Lauder Institute](#)

### **March 25, 2009**

The International Monetary Fund (IMF) and other lenders have agreed in principle to provide Romania 20bn euros (£18.4bn; \$27bn) in aid. [Lauder Institute](#)

### **April 2, 2009**

Leaders of the world's largest economies will shortly announce an agreement worth around \$1.1 trillion to tackle the global financial crisis. [Lauder Institute](#)



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## April 6, 2009

World stock markets started the week on a positive note, extending recent gains on hopes that worst may now be over for the world economy. [Lauder Institute](#)

## April 21, 2009

The IMF declares that the deteriorating global economy means financial institutions now face total losses of \$4,100 billion on loans and other assets and it urges governments to take 'bolder steps' to shore up institutions. [Norton Rose](#)

## April 30, 2009

The Bank for International Settlements revealed that global cross-border lending by banks shrank by almost \$5 trillion on the nine months to the end of December 2008, the sharpest fall ever recorded. [Norton Rose](#)

# IX. May – August 2009: The downward spiral

When Chrysler - one of the America's iconic car manufacturer – files for bankruptcy it dawns upon the US-economy that its recovery is yet to come.

## 1. USA

### May 1, 2009

Chrysler filed for bankruptcy but will still receive up to \$7.5 billion in state aid to restructure and re-launch. The partnership with Fiat will still go ahead and will receive a 20% stake in Chrysler. [Norton Rose](#)

The Federal Reserve Board announces that, starting in June, commercial mortgage-backed securities (CMBS) and securities backed by insurance premium finance loans will be eligible collateral under the Term Asset-Backed Securities Loan Facility (TALF). The Board also authorizes TALF loans with maturities of five years. Currently, all TALF loans have maturities of three years. TALF loans with five-year maturities will be available for the June funding to finance purchases of CMBS, ABS backed by student loans, and ABS backed by loans guaranteed by the Small Business Administration. [Federal Reserve Press Release](#)

The U.S. Treasury purchases a total of \$45.5 million in preferred stock from 7 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### May 2, 2009

The Economist p. 7 (World this Week)

American GDP fell at an annualized rate of 6.1% in the first quarter of this year. The world's largest economy has now contracted for three month periods in a row. The fall was bigger than most had expected and puts the cumulative shrinkage so far during this recession on a par with those in the downturns of 1973-75 and 1981-82, the worst of the post-war period. Much of the fall was due to businesses slashing inventories to cope with drops in sales. Consumer spending did rise, but much of this was offset by a sickening plunge in business investment which fell at a 38% annual rate, the steepest on record.

The pace of decline in American house prices slowed slightly in February, according to Standard & Poor's, a rating agency. Its S&P/Case-Shiller 20-city composite index of prices of existing single-family homes fell by 18.6% in February, compared with January's 1.9% drop. But house prices still plunged by record rates in February in ten of the 20 cities covered by the index.

### May 4, 2009

President Barack Obama has proposed outlawing offshore tax-avoidance techniques in a move that could hit US corporations with overseas divisions. [Lauder Institute](#)

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## May 6, 2009

Bank of America comes up \$34bn short in stress test. [Lauder Institute](#)

## May 7, 2009

Troubled US carmaker General Motors has announced a loss of \$6bn (£3.98bn) for the first three months of this year as a massive slump in sales hit revenues.

President Barack Obama has said he aims to cut \$17bn (£11bn) from next year's US government budget, saying he had found examples of "stunning" waste.

Barclays Bank has announced a sharp rise in profits in the first three months of the year despite a jump in bad debts during the financial crisis. [Lauder Institute](#)

The Federal Reserve releases the results of the Supervisory Capital Assessment Program ("stress test") of the 19 largest U.S. bank holding companies. The assessment finds that the 19 firms could lose \$600 billion during 2009 and 2010 if the economy were to track the more adverse scenario considered in the program. The assessment also finds that 9 of the 19 firms already have adequate capital to maintain Tier 1 capital in excess of 6 percent of total assets and common equity capital in excess of 4 percent under the more adverse scenario. Ten firms would need to add \$185 billion to their capital to maintain adequate buffers under the more adverse scenario. However, transactions and revenues since the end of 2008 have reduced to \$75 billion the additional capital that these firms must raise in order to establish the capital buffer required under the program. A bank holding company needing to augment its capital buffers will be required to develop a detailed plan to be approved by its primary supervisor within 30 days and to implement its plan to raise additional capital by early November 2009. [Federal Reserve Press Release](#)

The US regulators order that 10 of the nation's largest banks must raise \$75 billion in equity following the completion of stress tests. [Norton Rose](#)

## May 8, 2009

Fannie Mae reports a loss of \$23.2 billion for the first quarter of 2009. The Director of the Federal Housing Finance Agency (FHFA), which has been conservator of Fannie Mae since September 6, 2008, requests \$19 billion from the U.S. Treasury Department under the terms of the Senior Preferred Stock Purchase Agreement between Fannie Mae and the Treasury to eliminate the firm's net worth deficit. Separately, on May 6, 2009, the Treasury Department and the FHFA enter into an amendment to the Senior Preferred Stock Purchase Agreement to increase the Treasury's funding commitment to Fannie Mae to \$200 billion from \$100 billion, increase the allowed size of Fannie Mae's mortgage portfolio to \$900 billion, and to increase the firm's allowable debt outstanding to \$1,080 billion. [Fannie Mae Press Release](#)

The U.S. Treasury purchases a total of \$42 million in preferred stock from 7 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

## May 12, 2009

Freddie Mac reports a first quarter 2009 loss of \$9.9 billion, and a net worth deficit of \$6.0 billion as of March 31, 2009. The Director of the Federal Housing Finance Agency (FHFA) submits a request to the U.S. Treasury Department for funding in the amount of \$6.1 billion in his capacity as conservator of Freddie Mac. Further, on May 6, 2009, the Treasury Department and FHFA, acting on Freddie Mac's behalf as its conservator, entered into an amendment to the Purchase Agreement between the company and Treasury that increases the Treasury's funding commitment to the firm to \$200 billion from \$100 billion, increases the allowed size of Freddie Mac's mortgage-related investments portfolio by \$50 billion to \$900 billion, and increases the firm's allowable debt outstanding to \$1,080 billion until December 31, 2010. [Freddie Mac Press Release](#)

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### May 13, 2009

The U.S. Treasury Department proposes amendments to the Commodity Exchange Act and securities laws to enhance government regulation of over-the-counter (OTC) derivatives markets. The proposed changes include requirements that all standardized OTC derivatives be cleared through regulated central counterparties, and that all OTC derivatives dealers and all other firms whose activities in those markets create large exposures to counterparties be subject to prudential supervision and regulation. In addition, the U.S. Treasury Department proposes new recordkeeping and reporting requirements on all OTC derivatives, and increased authority for the Commodity Futures Trading Commission to regulate OTC derivatives trading. [Treasury Department Press Release](#)

### May 15, 2009

The U.S. Treasury purchases a total of \$107.6 million in preferred stock from 14 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### May 16, 2009

The Economist p. 7 (World this Week)

Bank of America raised \$7.3 billion by selling a chunk of its stake in China Construction Bank. The money will go towards obtaining the \$ 33.9 billion that, according to the recent official stress tests, BofA needs to guard against a severe downturn. Other banks requiring more capital include Wells Fargo (\$13.7 billion), Citigroup (\$5.5 billion) and Morgan Stanley (\$1.8 billion).

The unemployment rate in the United States climbed to 8.9% in April, but the pace of lay-offs from payrolls slowed to 539,000, the fewest job losses since October.

### May 19, 2009

The Federal Reserve Board announces that, starting in July, certain high-quality commercial mortgage-backed securities issued before January 1, 2009 ("legacy CMBS") will become eligible collateral under the Term Asset-Backed Securities Loan Facility (TALF). The objective of the expansion is to restart the market for legacy securities and, by doing so, stimulate the extension of new credit by helping to ease balance sheet pressures on banks and other financial institutions. Eligible CMBS must have a triple-A rating from at least two major rating services. [Federal Reserve Press Release](#)

### May 20, 2009

President Obama's administration indicated that a pool of institutions would be allowed to start repaying funds lent under the Troubled Asset Relief Programme. Those institutions whose stress tests indicate they will not need to raise new capital in case of further economic turbulence will be included in the pool. [Norton Rose](#)

President Obama signs the Helping Families Save Their Homes Act of 2009, which temporarily raises FDIC deposit insurance coverage from \$100,000 per depositor to \$250,000 per depositor. The new coverage at FDIC-insured institutions will expire on January 1, 2014, when the amount will return to its standard level of \$100,000 per depositor for all account categories except IRAs and other certain retirement accounts. This action supersedes the October 3, 2008 changes. [FDIC Press Release](#)

The Economist p. 10 (World this Week)

It was a big week for America's car industry. General Motors was expected to enter bankruptcy protection after the expiration of its offer to bondholders to exchange \$27 billion in debt for a 10% stake in the company. GM wanted bondholders with 90% of the debt to accept the deal, but fell well short of that threshold.

Following similar action taken by rival banks, Morgan Stanley outlined changes to the way it awards senior executives by placing less emphasis on bonuses and making hefty increases to base salaries by way of compensation. The salary of John Mack, Morgan Stanley's boss, remains unchanged at \$800,000. The decision comes as the Obama administration readies its ideas for reforming executive pay.

A measure of American consumer confidence recorded its biggest increase since April 2003. The survey found fewer Americans 44.7%, reporting that jobs were "hard to get" than in previous months. However, only 5.5% said they intended to buy a car and 2.3% planned to buy a home.

Sales of existing homes in America rose by 2.9% in April, but were 3.5% below what they were in April 2008, according to the National Association of Realtors. Most of the uptick in sales took place in lower price ranges as

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more foreclosed homes came on the market.

### May 21, 2009

The Federal Deposit Insurance Corporation (FDIC) announces the approval of GMAC Financial Services to participate in the Temporary Liquidity Guarantee Program (TLGP). GMAC will be allowed to issue up to \$7.4 billion in new FDIC-guaranteed debt. [FDIC Press Release](#)

Standard and Poor's Ratings Services lowers its outlook on the United Kingdom government debt from stable to negative because of the estimated fiscal cost of supporting the nation's banking system. S&P estimates that this cost could double the government's debt burden to about 100 percent of GDP by 2013. [Standard and Poor's Press Release](#)

### May 22, 2009

The Federal Reserve Board announces the adoption of a final rule that will allow bank holding companies to include in their Tier 1 capital without restriction senior perpetual preferred stock issued to the U.S. Treasury Department under the Troubled Asset Relief Program (TARP).

Treasury Department CPP Transaction Report

The U.S. Treasury purchases a total of \$108 million in preferred stock from 12 U.S. banks under the [Capital Purchase Program](#). [Federal Reserve Press Release](#)

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May 23, 2009

The Economist p. 9 (World this Week)

Bank of America said it had raised \$13.5 billion since May 8th by issuing common shares. Together with the \$7.3 billion it obtained by selling part of its stake in China Construction Bank, BofA is more than half way to reaching the \$33.9 billion that the American government's stress tests found it needs to guard itself against a severe downturn.

Timothy Geithner informed Congress that those banks deemed by the stress tests to require extra capital had so far raised \$48 billion of the \$75 billion stipulated. The treasury secretary also revealed that \$124 billion was still on hand in the \$700 billion Troubled Asset Relief Program, and that a public-private partnership to help banks rid themselves of toxic assets would be in place by July.

### May 27, 2009

The FDIC announces that the number of "problem banks" increased from 252 insured institutions with \$159 billion in assets at the end of fourth quarter of 2008, to 305 institutions with \$220 billion of assets at the end of the first quarter of 2009. The FDIC also announces that there were 21 bank failures in the first quarter of 2009, which is the largest number of failed institutions in a quarter since the first quarter of 1992. [FDIC Quarterly Banking Profile](#)

### May 29, 2009

The U.S. Treasury purchases a total of \$89 million in preferred stock from 8 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### June 1, 2009

As part of a new restructuring agreement with the U.S. Treasury and the governments of Canada and Ontario, General Motors Corporation and three domestic subsidiaries announce that they have filed for relief under Chapter 11 of the U.S. Bankruptcy Code. [GM Press Release](#)

The Federal Reserve Board announces the criteria it will use to evaluate redemption applications from the 19

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bank holding companies that received U.S. Treasury capital as part of the Supervisory Capital Assessment Program. An initial set of redemption approvals are expected to be announced during the week of June 8. [Federal Reserve Press Release](#)

### June 2, 2009

Car giant General Motors files for bankruptcy protection, marking the biggest failure of an industrial company in US history. The move is backed by the US government which is now expected to take a 60% share in the company. [Norton](#)

### June 3, 2009

The FDIC announces that the previously planned sale of impaired bank assets under the Legacy Loans Program (LLP) will be postponed. According to Chairman Bair: "Banks have been able to raise capital without having to sell bad assets through the LLP, which reflects renewed investor raise capital without having to sell bad assets through the LLP, which reflects renewed investor confidence in our banking system." [FDIC Press Release](#)

### June 5, 2009

The U.S. Treasury purchases a total of \$40 million in preferred stock from 3 U.S. bank under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

### June 6, 2009

The Economist p. 7 (World this Week)

GM'S bankruptcy caused it to be removed from the Dow Jones Industrial Average, a weighted average of 30 stocks. The company had featured in it since 1925. Citigroup was also kicked off because of the government's "large and ongoing stake". Their replacements are Travelers, an insurance company, and Cisco Systems, based in Silicon Valley.

### June 9, 2009

The U.S. Treasury Department announces that 10 of the largest U.S. financial institutions participating in the Capital Purchase Program have met the requirements for repayment established by the primary federal banking supervisors. If these firms choose to repay the capital acquired through the program, the Treasury will receive up to \$68 billion in repayment proceeds. [Treasury Department Press Release](#)

### June 10, 2009

The Federal Reserve issues the first of an ongoing series of monthly reports on its credit and lending facilities. The report provides information on borrowing patterns and collateral for many of the Federal Reserve's credit and liquidity programs, including the number of borrowers and borrowing amounts by type of institution, collateral by type and credit rating, and data on the concentration of borrowing. The report also includes information on liquidity swap usage by country, quarterly income for important classes of Federal Reserve assets, and asset distribution and other information on the limited liability companies created to avert the disorderly failures of Bear Stearns and American International Group (AIG). [Federal Reserve Press Release](#) | [Credit and Liquidity Report](#)

### June 12, 2009

The Federal Reserve announces that it is reviewing regulatory capital requirements for banking organizations in response to a decision by the Financial Accounting Standards Board to address weaknesses in accounting and disclosure standards for off-balance sheet vehicles. [Federal Reserve Press Release](#)

The U.S. Treasury purchases a total of \$39 million in preferred stock from 7 U.S. Banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

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## June 17, 2009

The US government announces a major reform of banking regulation to prevent future financial crises. The reforms will require big banks to put more money aside against future losses to curb excessive risk taking and the creation of a special agency to protect the interests of US consumers and regulate the provision of mortgages and credit cards. The US central bank, the Federal Reserve, will also be given the authority to monitor major financial institutions. [Norton Rose](#)

The U.S. Treasury Department releases a proposal for reforming the financial regulatory system. The proposal calls for the creation of a Financial Services Oversight Council and for new authority for the Federal Reserve to supervise all firms that pose a threat to financial stability, including firms that do not own a bank. [U.S. Treasury Department Regulatory Reform Proposal](#)

## June 19, 2009

The U.S. Treasury purchases a total of \$84.7 million in preferred stock from 10 U.S. banks under the Capital Purchase Program. [Treasury Department CPP Transaction Report](#)

## June 20, 2009

The Economist p. 8 (World this Week)

American Express, Goldman Sachs, JPMorgan Chase and Morgan Stanley were among ten financial companies to repay the loans they received from the Troubled Asset Relief Program, after being given permission by the Treasury to leave the scheme.

## June 24, 2009

The Securities and Exchange Commission proposes rule amendments designed to strengthen the regulatory framework for money market funds. The proposed rules are intended to reduce the risk in money market funds by introducing liquidity requirements, shortening the average maturity limits, and increasing the requirements for credit quality. In addition, the proposals would require the monthly reporting of portfolio holdings and will allow suspension of redemptions if a fund "breaks the buck." [SEC Press Release](#)

The Federal Reserve announces extensions of and modifications to a number of its liquidity programs. The expiration date of the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF), the Commercial Paper Funding Facility (CPFF), the Primary Dealer Credit Facility (PDCF), and the Term Securities Lending Facility (TSLF) is extended through February 1, 2010. The expiration date of the Term Asset-Backed Securities Loan Facility (TALF) remains set at December 31, 2009. In addition, the temporary reciprocal currency arrangements (swap lines) between the Federal Reserve and other central banks have been extended to February 1, 2010. The Federal Reserve also announces that the amounts auctioned at the biweekly auctions of Term Auction Facility (TAF) funds will be reduced from \$150 billion to \$125 billion, effective with the auction to be held on July 13, 2009. [Federal Reserve Press Release](#)

## June 25, 2009

US government figures show that the US economy shrank at an annualised rate of 5.5% in the first three months of 2009, better than previously thought. The Federal Reserve said this week that the latest economic data "suggests that the pace of economic contraction is slowing" AIG is to give the Federal Reserve Bank of New York stakes in two of its life assurance units (American International Assurance Company (AIA), its Asian insurance arm, and American Life Insurance Company (Alico)) in order to cut the debt it owes to the bank by \$25 billion. AIG will put its equity in AIA and Alico into special purpose vehicles and then give preferred shares of \$16 billion and \$9 billion, respectively, to the Federal Reserve Bank of New York. [Norton Rose](#)

American International Group (AIG) announces that it has entered into an agreement with the Federal Reserve Bank of New York to reduce the debt AIG owes the Federal Reserve Bank of New York by \$25 billion. The Federal Reserve Bank of New York will receive preferred interests of \$16 billion and \$9 billion, respectively, in two new special purpose vehicles holding the equity of AIG subsidiaries American International Assurance Company and American Life Insurance Company. [AIG Press Release](#)

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UBS Client Pleads Guilty to Filing False Tax Return. Boca Raton resident hid income and assets in secret Swiss Bank Account. UBS client, Steven Michael Rubinstein of Boca Raton, Fla., pleaded guilty today to filing a false tax return for tax year 2004, the Justice Department and Internal Revenue Service (IRS) announced. On April 1, 2009, Rubinstein was charged with filing a false tax return that intentionally failed to disclose the existence of a Swiss bank account maintained by UBS of which he was the beneficial owner and failed to report any income earned on that account. [US Department of Justice](#)

### June 26, 2009

The U.S. Treasury announces its policy regarding the disposition of warrants acquired under the Capital Purchase Program. For publicly traded companies, the Treasury received warrants to purchase common shares of stock; these warrants have not been exercised. The Treasury's policy allows banks to repurchase warrants following a multi-step process to determine fair market value. [Treasury Department Press Release](#)

### June 27, 2009

The Economist p. 10 (World this Week)

The Federal Reserve sounded a bit more optimistic about the American economy than it has for a while. After a two-day meeting, the Fed said that the "pace of economic contraction is slowing", though the economy would "remain weak for a time". The central bank played down the threat from deflation, a threat it had emphasized earlier this year.

The number of people with net assets of at least \$1m (excluding their homes) fell by 14.9% in 2008, according to an annual report from Capgemini and Merrill Lynch. The total wealth of these 8.6m high net-worth individuals stood at \$32.8 trillion. Over half of the super-rich live in America, Japan and Germany, but China passed Britain to take fourth place for the first time.

### June 30, 2009

The U.S. Treasury proposes a bill to Congress that would create a new Consumer Financial Protection Agency. The bill would transfer all current consumer protection functions of the Federal Reserve System, Comptroller of the Currency, Office of Thrift Supervision, FDIC, FTC, and the National Credit Union Administration to the new agency. In addition, Treasury proposes amendments to the Federal Trade Commission Act with regards to coordination with the proposed Consumer Financial Protection Agency. [Treasury Department Press Release](#)

### July 4, 2009

The Economist p. 7 (World this Week)

The s&p/Case-Shiller Index of house prices in 20 American cities fell again in April, but at a more modest rate. Several cities saw prices rise. Dallas notched up the biggest monthly increase of 1.7%.

### July 8, 2009

The U.S. Treasury Department, Federal Reserve and the FDIC announce the details of the Legacy Securities Public-Private Investment Program (PPIP). Under this program, the U.S. Treasury will invest up to \$30 billion with private sector fund managers and private investors for the purpose of invest up to \$30 billion with private sector fund managers and private investors for the purpose of purchasing legacy securities. The Legacy Securities PPIP will participate in the market for commercial mortgage-backed securities and non-agency residential mortgage-backed securities. To qualify for purchase, these securities must have been issued prior to 2009 and have originally been rated AAA (or an equivalent rating by two or more nationally recognized statistical rating organizations) without ratings enhancement and must be secured directly by the actual mortgage loans, leases, or other assets ("Eligible Assets"). The U.S. Treasury pre-qualified nine firms to participate as fund managers. The fund managers will be required to raise at least \$500 million of capital from private investors; the equity capital will be matched by U.S. Treasury. In addition, the fund manager must also invest a minimum of \$20 million of firm capital. Upon raising this private capital the fund managers can begin purchasing Eligible

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Assets. [Treasury Department Press Release](#)

### July 10, 2009

The Congressional Oversight Panel for the Troubled Asset Relief Program releases its July report, which examines several issues raised by the repayment of TARP funds by institutions that have received TARP assistance. [Congressional Oversight Panel Press Release](#)

### July 11, 2009

The Economist p. 9 (World this Week)

A judge approved the transfer of General Motors' profitable assets to a new government-run entity, clearing the way for the carmaker's speedy exit from bankruptcy protection. It declared itself insolvent on June 1st. The American government will hold a 61% stake in the new GM, which it hopes to shed next year after a restructuring program.

A report by Scorpio Partnership, which provides research on the wealth-management sector, found that private banks had \$14 trillion in assets under management last year, down 16.7% from 2007. Bank of America, through its acquisition of Merrill Lynch, is now the world's largest asset manager, with most of its core assets in the United States.

The American Bankers Association said its measure of delinquent loans (where a payment is at least 30 days late) had reached a new record in the first quarter. Consumers made late payments on 4.75% of all bank-card accounts.

### July 15, 2009

Congress announces the appointment of members to the Financial Crisis Inquiry Commission. The Commission was established by the Fraud Enforcement and Recovery Act of 2009 (Public Law 111-21), which was enacted on May 20, 2009. The Commission is required to report its findings on the causes of the financial crisis to Congress by December 15, 2010. [House Democrats Press Release](#) | [House Republicans Press Release](#) | [Public Law](#)

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### July 18, 2009

The Economist p. 8 (World this Week)

Profits were also up at JPMorgan Chase, which announced second-quarter profits of \$2.7 billion on July 16th, which were 36% higher than a year ago.

A federal judge in Miami agreed to a request by the American and Swiss governments and UBS, Switzerland's largest bank by assets, to postpone to August 3rd hearings on the case brought against the bank by the American government to allow the two governments time to try to reach a settlement. The American government wants UBS to release the names of 52,000 clients, including several thousand very wealthy Americans with offshore bank accounts containing anything from tens of millions to hundreds of millions of dollars.

General Motors, one of the world's biggest carmakers and now primarily owned by the governments of America, Canada and Ontario, emerged from bankruptcy on July 10th. The new company retains only four key brands - Chevrolet, Cadillac, Buick and GMC - and intends to reduce its American work force from 91,000 at the end of last year to 64,000 by the end of 2009. The leaner company will operate 13 fewer American factories, and shrink its dealer network from 6,000 to 3,600 by the end of 2010.

### July 21, 2009

The Office of the Special Inspector General for the Troubled Asset Relief Program issues its quarterly report to Congress on the operation of the Troubled Asset Relief Program. [Special Inspector General TARP](#)

Chairman Ben Bernanke presents the second of the Federal Reserve's semi-annual Monetary Policy Report to the Congress. Chairman Bernanke testifies that "the extreme risk aversion of last fall has eased somewhat, and investors are returning to private credit markets." [Federal Reserve Press Release](#)



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## July 23, 2009

The Federal Reserve Board proposes significant changes to Regulation Z (Truth in Lending) intended to improve the disclosures consumers receive in connection with closed-end mortgages and home-equity lines of credit. Among other changes, the Board's proposal would improve the disclosure of the annual percentage rate on closed-end mortgages and require lenders to show consumers how much their monthly payments might increase for adjustable-rate mortgages. The proposal would also prohibit payments to a mortgage broker or loan officer that are based on a loan's interest rate or other terms, and prohibit lenders from steering consumers to transactions that are not in their interest in order to increase the lender's compensation. [Federal Reserve Press Release](#)

Citigroup announces that it completed a previously announced exchange offer with private investors of convertible preferred securities and a previously announced matching exchange offer with the U.S. Government. Citigroup exchanged \$12.5 billion in aggregate liquidation value of convertible preferred securities held by private holders for interim securities and warrants, and made a similar exchange of \$12.5 billion in aggregate liquidation value of convertible preferred securities held by the U.S. Government for interim securities and warrants. The interim securities will convert to common stock, subject to shareholder authorization of the increase in Citigroup's authorized common stock. [Citigroup Press Release](#)

## July 24, 2009

The Federal Reserve announces that the amounts of Term Auction Facility (TAF) credit offered at each of the two auctions in August will be reduced to \$100 billion from \$125 billion in July. The reduction is consistent with the expectation that TAF auction amounts would be reduced gradually further in coming months if market conditions continue to improve. [Federal Reserve Press Release](#)

## July 25, 2009

The Economist p. 7 (World this Week)

Ben Bernanke, the chairman of America's Federal Reserve, assured Congress that the central bank has an "exit strategy" from its policy of monetary easing. Some politicians think the Fed's interventions during the financial crisis may be a spur to inflation, Mr Bernanke said that "to some extent" recent policy measures would "unwind automatically" as the economy improved, but he gave notice that he intended to keep interest rates extremely low for an "extended period" as the recovery would be a "very long haul".

More banks published their quarterly earnings. Morgan Stanley reported a worse than expected \$159m loss from continuing operations. It incurred a charge from last month's repayment of the bail-out money it got from the government, but it also set aside 72% of its revenue for employee compensation, a much higher percentage than that of its rivals.

Bank of America reported a \$3.2 billion profit, based mostly on one-time gains, such as selling part of its stake in China Construction Bank. Citigroup made a profit of \$4.3 billion, but it was saved from spilling more red ink only by the spin-off of its Smith Barney unit, Investors responded negatively to the views from both. Wells Fargo posted hefty earnings, but also revealed a sharp rise in bad loans.

## July 26, 2009

Citigroup announces the preliminary results of its offers to exchange its publicly held convertible and non-convertible preferred and trust preferred securities for newly issued shares of its common stock. Citigroup also announces that it expects to complete a further exchange with the U.S. Government of \$12.5 billion in aggregate liquidation preference of Citigroup preferred stock, and that in aggregate, approximately \$58 billion in aggregate liquidation value of preferred and trust preferred securities will have been exchanged to common stock as a result of the completion of all the exchange offers. [Citigroup Press Release](#)

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## July 30, 2009

The Financial Services Authority (FSA) called a meeting between the major participants in the oil and commodities market in order to review the current system of regulation. The meeting appears to be an indication that the FSA is adopting a more proactive stance in order to avoid a repeat of the speculation that drove oil prices to in excess of \$150 a barrel during 2008. [Norton Rose](#)

## August 1, 2009

The Economist p. 7 (World this Week)

There was more evidence that housing markets may be turning a corner. Sales of new homes in America jumped by 11% in June compared with May, the biggest increase in nearly nine years. And the s&p/Case-Shiller home-price index for May rose by 0.5%, its first gain since mid-2006.

The head of the Obama administration's task-force on the car industry assured a congressional panel that the reconstructed management boards at Chrysler and General Motors were in complete commercial control of their companies and that "there is no checking with the government". Ron Bloom also warned lawmakers not to pass a measure reversing the cuts in car dealerships made by the companies because it would shake market confidence.

## August 6, 2009

Fannie Mae reports a loss of \$14.8 billion in the second quarter of 2009. The Director of the Federal Housing Finance Agency, which has been acting as Fannie Mae's conservator since September 6, 2008, requests \$10.7 billion from the U.S. Treasury Department under the terms of the senior preferred stock purchase agreement between Fannie Mae and the Treasury in order to eliminate the firm's net worth deficit. Under the agreement, the Treasury will have provided \$45.9 billion of capital to Fannie Mae to cover net worth deficits through the second quarter of 2009. [Fannie Mae Press Release](#)

## August 8, 2009

The Economist p. 7 (World this Week)

America's Treasury found that a \$75billion program setup in March to assist banks in modifying mortgage payments has aided only 9% of eligible borrowers so far. Homeowners can apply if their loan is equivalent to at least 31% of their income and if they are 60 days or more behind with a payment. The Treasury urged banks to do more to push the scheme.

America's economy contracted by 1% at an annual rate in the second quarter, according to an initial estimate: Consumer spending remained anaemic but there was a noticeable improvement in business spending, which fell by 8.9% compared with 39.2% in the first quarter. The Bureau of Economic Analysis also carried out a comprehensive review of data and revised GDP growth for 2008 down to 0.4% from a previous 1.1%.

There was some rare good news from Detroit's troubled carmakers. Sales at Ford in July were 2% higher than in the same month in 2008, its first year-on-year gain since November 2007. Sales were down by 9% at Chrysler and by 19% at General Motors, though this was better than many analysts had expected.

## August 13, 2009

In contrast to the Bank of England, the US Federal Reserve decided not to expand its \$300 billion programme of government bond purchases. The Federal Reserve stated that economic activity in the US is "levelling out," adding that it expected growth to be affected by slow income growth and further job losses. [Norton Rose](#)

## August 17, 2009

The Federal Reserve Board and the Treasury Department announce an extension to the Term Asset-Backed Securities Loan Facility (TALF). Eligible loans against newly issued asset-backed securities (ABS) and legacy

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commercial mortgage-backed securities (CMBS) can now be made through March 31, 2010. Because new CMBS deals can take a significant amount of time to arrange, TALF lending against newly issued CMBS was approved through June 30, 2010. The previously-announced deadline for TALF loans was December 31, 2009. The Federal Reserve and the Treasury said they do not anticipate any further additions to the types of collateral that are eligible for the TALF. [Federal Reserve Press Release](#)

### August 22, 2009

The Economist p. 7 (World this Week)

American International Group disclosed that Robert Benmosche, its new chief executive, will be paid \$7m in cash and shares. He recently took charge at the troubled insurer after the retirement of Edward Liddy, who was paid a nominal \$1 when he was given the job amid AIG'S bail-out. The Treasury's pay tsar has approved "in principle" to Mr Benmosche's pay package.

### August 25, 2009

President Obama nominates Ben S. Bernanke for a second term as Chairman of the Board of Governors of the Federal Reserve System. [White House Press Release](#)

### August 27, 2009

The FDIC announces that the number of "problem banks" increased from 305 insured institutions with \$220 billion in assets at the end of first quarter of 2009, to 416 institutions with \$299.8 billion of assets at the end of the second quarter of 2009. [FDIC Press Release](#)

### August 28, 2009

The Federal Reserve announces that the amounts of Term Auction Facility (TAF) credit offered at each of the two auctions in September will be reduced to \$75 billion from \$100 billion in August. This follows on a reduction from \$125 billion in July. The reduction is consistent with expectations that the TAF auction amounts will continue to decrease as market conditions improve. [Federal Reserve Press Release](#)

### August 29, 2009

The Economist p. 7 (World this Week)

Sales of previously owned homes in America rose by 7.2% in July compared with June, the biggest jump since 1999, as buyers took advantage of cheaper prices and a glut of foreclosed properties. Sales of new homes increased by 9.6%, the fourth consecutive monthly advance.

At a hearing in New York a federal judge pushed the Securities and Exchange Commission for an explanation of why it had not pursued Bank of America over allegations that BofA misled investors about bonuses paid to executives at Merrill Lynch around the time it took over the investment bank. The SEC has reached a settlement with BofA, under which it is fined \$33m but neither admits nor denies wrongdoing, The judge found this "puzzling".

The month-long "cash-for-clunkers" program ended in America. Just over 690,000 old, gas-guzzling cars were traded in under the scheme, which cost \$2.9 billion of public money. The Toyota Corolla was the most popular new car purchase; the Ford Explorer four-wheel drive topped the list of models traded in.

## 2. Europe

### May 1, 2009

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The number of people being declared bankrupt in England and Wales has hit a new record, according to the government's Insolvency Service. [Lauder Institute](#)

#### **May 4, 2009**

EU economies will contract by 4% in 2009, the European Commission has forecast - more than twice what it predicted at the start of the year.

Italian carmaker Fiat has begun efforts to win support for its plan to take over General Motors' European business, which includes Vauxhall and Opel. [Lauder Institute](#)

#### **May 5, 2009**

German car sales climbed 19% in April compared with the same time a year ago, as a trade-in plan to scrap old cars continued to encourage purchases.

General Motors' European plants in peril over Fiat bid. [Lauder Institute](#)

#### **May 6, 2009**

Carmaker Porsche has proposed closer ties with fellow German manufacturer Volkswagen Group after weeks of talks between the two firms' management.

The UK recession could be the worst since the early 1930s, a leading economic research body has predicted. [Lauder Institute](#)

#### **May 7, 2009**

The European Central Bank (ECB) has cut interest rates in the Eurozone to a record low of 1%, down from 1.25%.

The Bank of England has kept interest rates on hold at 0.5% and announced that it will inject an extra £50bn into the UK economy. [Lauder Institute](#)

The European Central Bank announces that it will cut interest rates to a record low of 1%. [Norton Rose](#)

#### **May 11, 2009**

Alistair Darling, the UK Chancellor, announces that laws dealing with the failure of investment banks are to be tightened, after the collapse of Lehman Brothers revealed serious shortcomings in the UK's insolvency regime.

[Norton Rose](#)

#### **May 19, 2009**

The Bank of England has made record profits as a result of increased activities attributable to the financial crisis.

The decision to provide finance at the then base rate of 5.5% to institutions last year resulted in pre-tax profit of £995 million. The BoE was able to capitalise on the spread as the rate fell to the current level of 0.5%. The Treasury will receive half of the profits in the form of dividends. [Norton Rose](#)

#### **June 2, 2009**

Shareholders in the troubled German bank Hypo Real Estate approve a near € billion capital increase to be subscribed for by the state, moving it closer towards total nationalisation.

The House of Lords Economic Affairs Committee releases a report stating that the so called tripartite system (of the Treasury, the Bank of England and the FSA) has failed and must be reformed. The report further states that the tripartite system of regulation made it unclear as to who would be in charge in a crisis and that the Bank of England should be given a clear executive role. [Norton Rose](#)

#### **June 3, 2009**

Latvia becomes the first EU country to face a sovereign debt crisis after failing to sell a single bill at a treasury auction worth \$100 million (£61 million), prompting fears of a fresh storm in Eastern Europe as capital flight tests currency pegs. [Norton Rose](#)

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### June 17, 2009

The Bank of England governor, Mervyn King, and the UK Chancellor, Alistair Darling, clash over what needs to be done to control banks to prevent a repeat of the current financial crisis. In his annual Mansion House speech to the city, Mervyn King called for more authority to intervene in the actions of banks seen to be behaving riskily. He added that if a bank had become so large that it was too big to fail, then that bank is too big. But Alistair Darling said at the same event that he had no plans to fundamentally change the system of regulation and would instead focus on improving the quality of regulators and the people on the boards of banks. [Norton Rose](#)

### July 24, 2009

The National Institute for Economic and Social Research stated that the recession currently being experienced in the UK is comparable to that of the decline in Britain's output between 1929 and 1931. [Norton Rose](#)

### August 3, 2009

HSBC reported interim pre-tax profits of \$5 billion for the first half of 2009. This represents a 51% decline in profits in relation to the previous year, although the published figure was in-line with analyst's predictions. Commenting on the results, HSBC stated that these strong results hinted that the financial markets may have passed the low point in the cycle. [Norton Rose](#)

### August 6, 2009

The Bank of England rate-setting committee voted to increase its quantitative easing programme by an additional £50 billion to a total of £175 billion. The increase was coupled with an announcement that the recession was deeper than first expected, but that the decline appeared to be slowing. [Norton Rose](#)

### August 7, 2009

Royal Bank of Scotland announced a £1 billion loss for the first half of 2009 and warned that the second half. [Norton Rose](#)

### August 13, 2009

Signs emerged that the Eurozone was emerging from the recession as figures showed that both the French and German economies grew by 0.3% in April, May and June. Many economists had expected both economies to shrink following first quarter contractions in GDP of 1.3% and 3.5% respectively.

The Bank of England's (BOE) quarterly inflation report warned that the world economy remains in deep recession but also pointed to encouraging signs ahead. The BOE expects the UK economy to contract by 4.4% this year (revised upwards from 3.9% in May). The full year 2010 projection was raised from 1.1% to 1.8%. [Norton Rose](#)

### August 17, 2009

The Federal Reserve Board and the Treasury Department announce an extension to the Term Asset-Backed Securities Loan Facility (TALF). Eligible loans against newly issued asset-backed securities (ABS) and legacy commercial mortgage-backed securities (CMBS) can now be made through March 31, 2010. Because new CMBS deals can take a significant amount of time to arrange, TALF lending against newly issued CMBS was approved through June 30, 2010. The previously-announced deadline for TALF loans was December 31, 2009. The Federal Reserve and the Treasury said they do not anticipate any further additions to the types of [collateral](#) that are eligible for the TALF. [Federal Reserve Press Release](#)

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### August 25, 2009

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### August 27, 2009

The UK's Office of National Statistics recorded a decline in investments by business of 10.4% against the previous quarter and 18.4% against this time in 2008. The activity recorded includes investment in new building and infrastructure (which was down by almost 50%) as well as in a range of other sectors across the economy. The decline in investment played a significant part in the corresponding weakening in the UK's GDP, which fell by 0.8% on the first quarter of 2009.

Lord Turner, chairman of the UK's Financial Services Authority (FSA), has made a striking contribution to the on-going debate on the future of the financial sector; both in the UK and globally. Speaking as part of a round-table discussion on a range of issues relating to the Global Financial Crisis, Lord Turner set out a number of ideas about the ideal size of the City and the role it should play in the post-crisis global finance sector. Most controversial amongst these is the notion that the FSA might regulate the City by way of a so-called 'Tobin tax'. This would amount to a tax on financial transactions, thereby reducing banks' profits and, thus, the money available to them to allocate as bonuses.

As expected, this suggestion has already elicited a storm of commentary from politicians and analysts. The UK chancellor, Alistair Darling, responded that no such taxes were being considered at this time and re-emphasised that the City would remain a leading participant in the international finance sector. Angela Knight, chief executive of the British Bankers' Association, highlighted that the UK financial sector made a major contribution to the UK economy, by providing jobs and tax revenue, and that the 'wrong' kind of regulation, including taxes, could undermine this contribution.

Nicolas Sarkozy also unveiled notable regulatory innovations in announcing a range of measures relating to bankers' pay and bonuses in France. Following the recommendations announced at the most recent G20 summit, the new regulatory regime will include a prohibition on guaranteed bonuses and a mechanism by which payment will be spread over the years following the period to which the bonus relates. In support of this, Michel Camdessus, former head of the International Monetary Fund, has been appointed to ensure that financial institutions which have received state assistance adhere to this policy. Most notably, perhaps, banks including Crédit Agricole, BNP Paribas and Société Générale have signed up to the new provisions. [Norton Rose](#)

## 3. Switzerland

### June 18, 2009

The Swiss National Bank (SNB) called for rules allowing drastic action on the nation's domestic banks if their problems threatened the entire economy and for renewed measures to fight recession and fend off deflation. The SNB also recommended splitting off parts of Switzerland's top two banks, UBS and Credit Suisse, or limiting their size if needed. [Norton Rose](#)

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## June 22, 2009

OECD renews attack on Switzerland's banking secrecy. Switzerland has become embroiled in a war of words with the Paris-based Organization for Economic Co-operation and Development, after it was singled out as a tax haven at the G20 summit. [Guardian](#)

## June 25, 2009

The Swiss bank UBS, one of the hardest-hit banks in the financial crisis, said late Thursday night that planned to raise about 3.8 billion Swiss francs (\$3.5 billion) through a stock offering and that it expected to report a second-quarter loss. [NYT](#)

UBS Client Pleads Guilty to Filing False Tax Return. Boca Raton resident hid income and assets in secret Swiss Bank Account. UBS client, Steven Michael Rubinstein of Boca Raton, Fla., pleaded guilty today to filing a false tax return for tax year 2004, the Justice Department and Internal Revenue Service (IRS) announced. On April 1, 2009, Rubinstein was charged with filing a false tax return that intentionally failed to disclose the existence of a Swiss bank account maintained by UBS of which he was the beneficial owner and failed to report any income earned on that account. [US Department of Justice](#)

## July 10, 2009

UBS's CEO Gruebel sends a memorandum to bank's top executives saying it could not comply with the U.S. request to disclose the identity of the 52,000 account holders. [Reuters](#)

## July 31, 2009

UBS and US government reach deal over tax evasion dispute. It is thought that the Swiss bank will be ordered to hand over about 5,000 American accounts to US investigators. [Guardian](#)

## August 4, 2009

UBS has reported a loss of 1.4bn Swiss francs (\$1.32bn; £790m) for the April-to-June quarter, along with significant outflows of cash.

The loss is a slight improvement on the 2bn Swiss franc loss the bank made in the first quarter of this year.

The bank said results were "significantly affected" by charges totaling 2.3bn Swiss francs. [BBC](#)

## August 19, 2009

Switzerland says it will hand over details of about 4,450 bank accounts to U.S. authorities as part of a deal to settle a civil litigation over the UBS tax case. [Reuters](#)

## August 20, 2009

The Swiss government is selling its 6 billion-Swiss franc (\$5.6 billion) investment in UBS AG, the country's biggest bank, a day after signing an agreement with the U.S. on data on bank clients suspected of evading taxes.

The government chose three banks to sell 332.2 million UBS shares, Peter Siegenthaler, director of the federal finance administration, said by phone. The state is selling the shares at 16 francs to 16.50 francs apiece, according to terms of the offering obtained by Bloomberg News. UBS rose as much as 4.5 percent to 17.50 francs in Swiss trading today. [Bloomberg](#)

## August 30, 2009

Swiss banks release names of 3,000 French account-holders Details of tax evasion suspects sent to authorities in France. Action comes days after Paris and Berne agree a deal. [Guardian](#)

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## 4. International

### May 5, 2009

The International Monetary Fund approves a US\$17 billion standby loan for Romania to cushion the effects of the world financial crisis. [Norton Rose](#)

### June 24, 2009

The Organisation for Economic Cooperation and Development says the world economy is near the bottom of the worst recession in post-war history. The OECD predicts zero growth in the UK economy in 2010, and says the UK budget deficit will reach 14% next year, both worse than UK government estimates. [Norton Rose](#)

## X. September – December 2009: Rulemaking - the miraculous cure?

The economies on both shores of the Atlantic Ocean are on a slow but steady track of recovery. A new phase of medium-term measures begins. Unemployment in the US is still rising when President Obama announces "...the Next Phase of Government Financial Stabilization and Rehabilitation Policies."

### 1. USA

#### September 5, 2009

The Economist p. 8 (World this Week)

The chief executive of Wells Fargo gave notice that the bank would "shortly" return \$25 billion in bail-out money. Of the big banks that were helped by the Troubled Asset Relief Program. Only Wells Fargo, Bank of America and Citigroup have yet to repay. John Stumpf said his bank would not need to raise extra equity and would pay back the money in a "shareholder-friendly way" that would not dilute investors' stock.

The "cash for clunkers" scheme in America pushed car sales in August to their highest level for many months; Asian carmakers did well as drivers traded in gas-guzzlers for smaller models. Toyota's sales were 6.4% higher than a year earlier and Honda's were up by 10%. Ford sold 17% more cars, though General Motors' sales were down by a fifth, as it could not match a successful discount promotion it held in August 2008. Chrysler's sales also fell as it struggled to produce many cars.

#### September 8, 2009

JP Morgan released a study into the effect of the proposed capital adequacy reforms on investment banks, concluding that long-term profit levels will fall by around a third, leading to lower bonuses and more redundancies. However the report predicted that traditional lending banks will be less affected by the reforms to capital adequacy requirements, due to the relatively low risk nature of their business model. [Norton Rose](#)

#### September 9, 2009

The FDIC Board adopts a Notice of Proposed Rulemaking (NPR) that reaffirms the expiration of the debt guarantee component of the Temporary Liquidity Guarantee Program (TLGP) on October 31st, 2009. Under the NPR, the Federal Deposit Insurance Corporation will seek comment on whether a temporary emergency facility should be left in place for six months after the expiration of the current program. There are two alternatives contemplated under the NPR. Under Alternative A, the DGP would expire as provided for by the FDIC's existing regulation on October 31st, 2009 with FDIC's guarantee for such debt expiring no later than December 31, 2012. Under Alternative B, the Debt Guarantee Program will expire as provided for in the current regulation, however, the FDIC would establish a six-month emergency guarantee facility to be made available in emergency circumstances to insured depository institutions (IDSS) and certain other entities participating in the DGP upon application to the FDIC and with the approval of the Chairman, after consultation with the Board. [FDIC Press Release](#)



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The chief executive of Goldman Sachs, Lloyd Blankfein, conceded at the Handelsblatt banking conference in Frankfurt that the big banks had “lost control” of some of the exotic instruments that they were creating in the run up to the credit crisis. He also called for restrictions on the short term bonus culture and enhanced cooperation between the national regulators in order to harmonize the impending reforms. [Norton Rose](#)

### **September 12, 2009**

The Economist p. 10 (World this Week)

America's unemployment rate rose to 9.7% in August, its highest level since June 1983.

### **September 14, 2009**

The U.S. Treasury releases the report "The Next Phase of Government Financial Stabilization and Rehabilitation Policies." This report focuses on winding down those programs that were once deemed necessary to prevent systemic failure in the financial markets and the broader economy. [Treasury Department Press Release](#)

### **September 16, 2009**

The Federal Deposit Insurance Corporation (FDIC) announces the signing of a bid confirmation letter with Residential Credit Solutions in a pilot sale of receivership assets under the Legacy Loans Program of the Public-Private Investment Program. The Public-Private Investment Program is being developed to help banks remove troubled assets from their balance sheets. The pilot sale was conducted to test the funding mechanism for the Legacy Loans Program. [FDIC Press Release](#)

### **September 18, 2009**

The U.S. Department of the Treasury announces the expiration of the Guarantee Program for Money Market Funds, which was implemented in the wake of the failure of Lehman Brothers in September 2008. The Program was initially established for a three-month period that could be extended up through September 18, 2009. Since its inception, the Treasury had no losses under the Program and earned approximately \$1.2 billion in participation fees. [Treasury Department Press Release](#)

### **September 19, 2009**

The Economist p. 10 (World this Week)

Barack Obama went to Wall Street on the first anniversary of the collapse of Lehman Brothers to tout his blueprint for overhauling America's financial regulatory system. The president recognized that the financial industry is "beginning to return to normalcy" after the worst panic since the 1930s, but warned that there are some "who are misreading this moment". He reiterated his administration's plans to create a Consumer Financial Protection Agency, close regulatory loopholes and hand more oversight powers to the Federal Reserve. Critics responded that the proposals would only hinder banks.

Ben Bernanke said for the first time that America's recession is probably over, "from a technical perspective". The chairman of the Federal Reserve cautioned that the economy's recovery would be weak initially, and job creation would be slow.

It emerged that Citigroup has begun discussions on how to reduce the American government's 34% stake in the bank, which the Treasury bought through a preferred-stock conversion. Using Citi's current share price, the government is thought to be sitting on a paper profit of around \$10 billion. Citi's share price fell sharply, however, when it sold \$5 billion in government-backed bonds under emergency legislation that will expire soon, raising fears that it is still far from healthy.

A federal judge took an unusual step and set aside a proposed settlement between the Securities and Exchange Commission and Bank of America for allegedly misleading shareholders on executive bonuses paid to Merrill Lynch staff after the two banks merged. The judge said the settlement was a "cynical" agreement that did not identify precisely who was at fault and ordered a trial. Meanwhile, New York state's attorney-general issued subpoenas to five former and current B of A directors in his investigation into the bonuses.

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### September 29, 2009

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) adopts a Notice of Proposed Rulemaking (NPR) that would require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The FDIC estimates that the total prepaid assessments collected would be approximately \$45 billion. The FDIC Board also votes to adopt a uniform three-basis point increase in assessment rates effective on January 1, 2011, and extend the restoration period from seven to eight years. [FDIC Press Release](#)

### September 23, 2009

A policy statement issued by the Federal Open Market Committee of the US Federal Reserve has indicated that the Federal Reserve do not expect a "double dip recession". The Federal Reserve is developing plans for future interest rate increases, although these are not expected until the second half of 2010. The Federal Reserve is

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looking at ways of reducing \$800bn of bank reserves created during the financial crisis by entering into “reverse repo” trades with mutual money market funds who they expect could re-finance around \$500bn of Federal Reserve assets.

FSA plans that would require large banks to produce ‘living wills’ detailing which businesses they would sell in order to raise emergency finance and setting out how they wind up their trading books within 60 days of a collapse have been questioned by Moody’s. Moody’s suggested that living wills would lead to cuts in the credit ratings of banks and increase their cost of funding as the government would no longer regard them as ‘too big to fail’. [Norton Rose](#)

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### **October 3, 2009**

The Economist p. 8 (World this Week)

Amid renewed optimism about the start of a revival in America's moribund housing market (with the s&p/CaseShiller Index of home prices in 20 cities rising for a third consecutive month in July) data from the Treasury for the second quarter showed that the number of homes at some stage of being foreclosed had reached almost 1m; completed foreclosures now exceed 130,000.

### **October 8, 2009**

US President Barack Obama’s administration has voiced its support for a strong dollar amid worries about the currency’s sharp decline. The dollar index has dropped to a 14-month low this week and has caused some leaders to raise concerns about the dollar’s reserve-currency status. [Norton Rose](#)

### **October 21, 2009**

The Office of the Special Inspector General for the Troubled Asset Relief Program issues its quarterly report to Congress on the operation of the Troubled Asset Relief Program. [Special Inspector General TARP](#)

### **October 22, 2009**

The Special Master for TARP Executive Compensation releases determinations on the compensation packages for the top 25 most highly paid executives at the seven firms that received exceptional TARP assistance (AIG, Citigroup, Bank of America, Chrysler, Chrysler Financial, GM, and GMAC). [U.S. Treasury Department Press Release](#)

The Federal Reserve Board issues a proposal designed to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of their organizations. The proposal includes two supervisory initiatives. One, applicable to 28 large, complex banking organizations, will review each firm's policies and practices to determine their consistency with the principles for risk-appropriate incentive compensation set forth in the proposal. Second, supervisors will review compensation practices at regional, community, and other banking organizations not classified as large and complex as part of the regular, risk-focused examination process. [Federal Reserve Press Release](#)

### **October 17, 2009**

The Economist p. 10 (World this Week)

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JPMorgan Chase, America's second-biggest bank, announced profits of \$3.59 billion in the third quarter of this year, helped by earnings from its investment-banking activities. The bank has set aside \$8.79 billion to cover pay, bonuses and other benefits for its employees in the first nine months of this year. This is about 38% of its revenue over the three quarters. The bank set aside 52% of its revenues for this purpose during the same period last year.

On October 13th AIG, an insurer, announced the sale of its Taiwanese life-insurance business to Hong Kong-based buyers for \$2.15bn. But there has been trouble over past bonus payments at the firm. A report from the head of America's Troubled Asset Relief Program (TARP) has condemned the American Treasury for failing to monitor bonuses paid by AIG before giving it \$30 billion in bail-out funds in March. In March AIG executives promised to return \$45m in bonuses. But less than half that amount has been repaid, according to the report.

After months of stalling, Bank of America (BofA) agreed to hand over documents detailing legal advice it received during its purchase of Merrill Lynch in January. Andrew Cuomo, attorney-general of New York, is investigating whether BofA executives should face charges over their failure to disclose Merrill's mounting losses to shareholders ahead of the purchase.

### October 21, 2009

The Office of the Special Inspector General for the Troubled Asset Relief Program issues its quarterly report to Congress on the operation of the Troubled Asset Relief Program. [Special Inspector General TARP](#)

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### October 23, 2009

Fed pay rules to rein in risk-taking Draft rules for bankers' pay have been drawn up by the Federal Reserve. Under the Fed plan, the top 28 financial institutions in the US must demonstrate strong risk management and corporate governance, and show that their pay schemes do not encourage excessive risk taking. [Norton Rose](#)

### October 24, 2009

The Economist p. 9 (World this Week)

Kenneth Feinberg, the "tsar" appointed by the White House to oversee pay at firms helped by taxpayers, was reportedly poised to demand big cuts in the pay of the 25 highest-paid people at the seven largest recipients of bail-out funds, including Citigroup, General Motors and Bank of America.

Morgan Stanley made a net profit of \$757m in the third quarter, helped by investment banking fees. That followed three quarterly losses, but was still less than a tenth of the \$7.7 billion the Wall Street firm made a year earlier.

The Securities and Exchange Commission proposed to reduce the volume of shares in a company that can be traded on "dark pools" without prices being made public. Dark pools are fast-growing off exchange trading platforms designed to enable investors to buy and sell shares without tipping off other traders.

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America's federal-tax receipts shrank by 16.6% in the 12 months to the end of September, with a decline of 54.6% in corporate-income tax receipts.

### **October 29, 2009**

Official figures have confirmed that the US economy has returned to growth in the third quarter after the longest period of economic contraction since the Great Depression. US consumer spending on durable goods has seen an upturn, boosted by the 'cash-for-clunkers' car-buying subsidy and residential investment has experienced a similar increase for the first time in more than three years. Equity and commodity markets greeted the reassuring news with enthusiasm. [Norton Rose](#)

### **October 31, 2009**

The Economist p. 9 (World this Week)

America's GDP grew in the third quarter, the first time its economy has expanded in more than a year. Home re-sales jumped by 9.4% in September from August, the biggest rise in 26 years, as first time buyers rushed to take advantage of a tax credit that is about to expire. But sales of new homes dropped unexpectedly, consumer confidence fell sharply and a number of polls showed Americans are still deeply concerned about the economy, particularly jobs. Stock-markets have slipped from their recent bullish highs.

Congressman Barney Frank unveiled long-awaited proposals (drafted with help from Treasury officials) that form the core of government efforts to reform the banking industry. Included in the legislation are new powers for the Federal Reserve to push undercapitalized banks towards bankruptcy protection and halt activities that threaten the soundness of a bank or the "financial stability of the United States.

It emerged that GMAC wants a third bail-out. The lender (the former financial-services arm of General Motors) would be the only company to have undergone a government "stress test" which is deemed to need more public money.

### **November 1, 2009**

CIT Group, Inc., files for bankruptcy protection under Chapter 11 of the bankruptcy code. The U.S. Government purchased \$2.3 billion of CIT preferred stock in December 2008 under the Troubled Asset Relief Program (TARP). The firm's prepackaged bankruptcy is expected to wipe out the equity stakes of CIT's current shareholders, including the U.S. Government. [CIT Bankruptcy Filing](#)

### **November 4, 2009**

The Federal Reserve announced amendments to their policy statement which indicate that the federal funds rate, currently targeted to be between 0 - 0.25%, will remain at exceptionally low levels for an extended period. [Norton Rose](#)

### **November 5, 2009**

Fannie Mae reports a net loss of \$18.9 billion in the third quarter of 2009, compared with a loss of \$14.8 billion in the second quarter of 2009. The loss resulted in a net worth deficit of \$15.0 billion as of September 30, 2009. The Acting Director of the Federal Housing Finance Agency submitted a request for \$15.0 billion from the U.S. Treasury to cover the deficit. Fannie Mae has lost a total of \$111 billion since September, 2008, when the firm was placed under government conservatorship. [Fannie Mae Press Release](#)

### **November 7, 2009**

The Economist p. 9 (World this Week)

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America's Federal Reserve kept interest rates at a level close to zero. The Fed's accompanying statement, which markets were keenly awaiting for any sign of a shift in policy, reiterated its intent to keep rates "exceptionally low" for an extended period.

### **November 9, 2009**

The Federal Reserve Board announces that 9 of the 10 bank holding companies that were determined in the Supervisory Capital Assessment Program earlier this year to need to raise capital or improve the quality of their capital now have increased their capital sufficiently to meet or exceed their required capital buffers. GMAC was the one firm that to date has not raised enough capital to meet its required capital buffer. [Federal Reserve Press Release](#)

### **November 14, 2009**

The Economist p. 10 (World this Week)

Chris Dodd, chairman of the Senate Banking Committee, published his proposals to restructure American financial regulation, which include a plan to take away many of the Federal Reserve's powers as a banking supervisor and place them in a new agency. Mr. Dodd wants the central bank to return to its "core functions" of setting monetary policy and being the lender of last resort. Last month his counterpart in the House of Representatives, Barney Frank; unveiled a plan, drafted with the help of Treasury officials, that would expand the Fed's powers.

### **November 17, 2009**

Citing continued improvement in financial market conditions, the Federal Reserve Board approves a reduction in the maximum maturity of primary credit loans at the discount window for depository institutions to 28 days from 90 days effective January 14, 2010. The Federal Reserve had lengthened the maximum maturity of primary credit loans first to 30 days on August 17, 2007, and then to 90 days on March 16, 2008. [Federal Reserve Press Release](#)

### **November 21, 2009**

The Economist p. 10 (World this Week)

Ben Bernanke remarked that the Federal Reserve was "closely" watching currency markets, and that the central bank would "help ensure that the dollar is strong". The weak dollar has caused commodity / prices to nudge up, a potential inflationary threat. Any opinion from the chairman of the Fed regarding the value of the greenback is controversial because the Treasury handles exchange-rate policy.

Lloyd Blankfein, the chief executive of Goldman Sachs, apologized for his bank's part in fuelling the market for cheap credit that led to the financial crisis. To aid the recovery, Goldman launched a scheme to help 10,000 small businesses, to which it will donate \$500m over five years. Some were left unimpressed; Goldman pulled in at least \$100m on 36 separate trading days in the third quarter and on 46 days in the second quarter. It has set aside \$16.7 billion for pay and compensation so far this year.

General Motors provided its first financial update since leaving bankruptcy protection. The carmaker lost \$1.15 billion between July 10th and September 30th, \$400m of which related to its European arm, Opel/Vauxhall. That division is undergoing a restructuring in which up to 10,000 jobs could be shed. GM also said it plans next month to start repaying some of the bail-out money it has received from the American and Canadian governments.

### **November 24, 2009**

Minutes from the November meeting of the Federal Reserve Open Market Committee state that there are concerns that an extended period of low interest rates such as the current near zero rate in the USA could lead to further risk taking by financial institutions. These concerns echo those of Germany and China who in mid-November both linked the low interest rates and failing value of the dollar with a potential speculative bubble. [Norton Rose](#)

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## November 26, 2009

The Economist p. 10 (World this Week)

The Federal Open Market Committee issued an upbeat statement on America's economy and held interest rates at a record low. It also extended its \$1.25 trillion program of buying mortgage-backed securities into the first quarter of 2010.

Bank of America paid \$425m to leave a federal program that guaranteed the assets it acquired when it took over Merrill Lynch. BofA said the move was part of its plan "to reduce its reliance on government support and return to normal market funding". The bank also named Charles Holliday, a former boss of DuPont, to its board, the sixth new appointment since June.

Meanwhile, the Securities and Exchange Commission promised to "vigorously pursue" its case against BofA for allegedly misleading shareholders about bonuses paid to Merrill Lynch executives. A judge recently threw out the SEC's settlement with the bank and ordered a trial; the agency hinted at additional charges.

It emerged that Christopher Dodd, who heads the Senate Banking Committee, is preparing a bill to merge the oversight activities of the four federal agencies that supervise banks into one super-regulator, thus flying in the face of the government's plan to keep the agencies separate.

## November 28, 2009

The Economist p. 10 (World this Week)

Sales of both new and previously owned homes in America rose sharply in October, with sales of existing homes reaching a level last seen in February 2007. Much of the increase was caused by homebuyers rushing to take advantage of a tax credit that was due to expire by November 30th, but which Congress has extended to April.

Data from America's Federal Deposit Insurance Corporation highlighted the difficulties that persist in the banking sector. The number of "problem" lenders that the FDIC lists grew to 552 in the third quarter, the highest number in 16 years. And confirming the reluctance of banks to loosen their lending policies, total loan balances held by financial institutions fell by 3%, the fastest pace since 1984.

## December 1, 2009

AIG announces that it has closed two transactions with the Federal Reserve Bank of New York. This agreement reduces the debt AIG owes the Federal Reserve Bank of New York by \$25 billion in exchange for preferred equity interests in newly formed subsidiaries. [AIG Press Release](#)

## December 2, 2009

Bank of America announces that it will repurchase the entire \$45 billion of cumulative preferred stock issued to the U.S. Treasury under the Troubled Asset Relief Program (TARP) after the completion of a securities offering. [Bank of America Press Release](#)

## December 9, 2009

U.S. Treasury Secretary Timothy Geithner sends a letter to Congressional leaders outlining the Administration's exit strategy for the Troubled Asset Relief Program (TARP). Secretary Geithner announces that the program will be extended to October 3, 2010, and focus on three areas: 1) foreclosure mitigation; 2) providing capital to small and community banks; and 3) possible increases in the Treasury Department's commitment to the Term Asset-Backed Securities Loan Facility (TALF). [U.S. Treasury Department Press Release](#)

## December 11, 2009

The U.S. House of Representatives approves legislation that would create a Financial Stability Council to identify financial firms that pose systemic risk and which will be subject to increased oversight and regulation. The legislation would also create a Consumer Financial Protection Agency, impose new regulations on over-the-

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counter financial derivatives, require the registration of hedge funds with the Securities Exchange Commission, and establish an orderly process for shutting down large, failing financial institutions. [U.S. House of Representatives Press Release](#)

### **December 12, 2009**

The Economist p. 8 (World this Week)

Barack Obama said that opting either to reduce America's deficit or invest in job creation was a "false choice". The American president unveiled fresh proposals – a new stimulus package, some said - to boost employment. These include a tax incentive for companies that take on new workers, an idea that had been rejected because it could provide employers with a perverse incentive to stack staff and then re-employ them.

### **December 14, 2009**

Citigroup announces that it has reached an agreement with the U.S. Government to repay the remaining \$20 billion in TARP trust preferred securities issued to the U.S. Treasury. Citi will issue \$20.5 billion of capital and debt, and the U.S. Treasury will sell up to \$5 billion of the common stock it holds in a concurrent secondary offering. [Citigroup Press Release](#)

Wells Fargo and Company announces that it will redeem the \$25 billion of preferred stock issued to the U.S. Treasury under the TARP, upon successful completion of a \$10.4 billion common stock offering. [Wells Fargo Press Release](#)

### **December 24, 2009**

The U.S. Treasury Department announces the removal of caps on the amount of preferred stock that the Treasury may purchase in Fannie Mae and Freddie Mac to ensure that each firm maintains a positive net worth. Previously, such purchases had been capped at \$200 billion for each firm. The Treasury Department announces that the removal of these caps "should leave no uncertainty about the Treasury's commitment to support these firms." [U.S. Treasury Department Press Release](#)

### **December 28, 2009**

The Federal Reserve Board proposes amendments to Regulation D (Reserve Requirements of Depository Institutions) that would enable the establishment of a term deposit facility. Under the proposal, the Federal Reserve Banks would offer interest-bearing term deposits to eligible institutions through an auction mechanism. [Federal Reserve Press Release](#)

December 30, 2009

The key informant in the U.S. tax fraud case against Swiss bank UBS AG says he does not deserve the federal prison term he is due to start serving next month, according to an interview to be broadcast on Sunday. Bradley Birkenfeld, a 44-year-old U.S. citizen, has been hailed by whistleblower advocates and U.S. prosecutors alike as pivotal to the case against UBS, his former employer. The bank was targeted in a wide probe by U.S. authorities for helping U.S. tax cheats to hide assets in UBS accounts. [Reuters](#)

## **2. Europe**

### **September 4, 2009**

Jean-Claude Trichet, the president of the European Central Bank (ECB), has spoken out against calls to reduce fiscal stimulus plans. Trichet expects the economic recovery to be "uneven" both "inside and outside the Euro area". The ECB left rates at their record low of 1%. [Norton Rose](#)



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### September 5, 2009

Almost a year after the collapse of the Icelandic banking system, figures show that the Icelandic economy contracted by 2% in the last quarter. Icelandic Gross Domestic Product has also reduced by 6.5% when compared with the same figures last year. The Icelandic central bank has predicted that the Icelandic economy will shrink by 9% this year. [Norton Rose](#)

### September 10, 2009

The Bank of England Monetary Policy Committee announced that the base rate would remain unchanged at 0.5% and that the current quantitative easing program would continue for a further two months, until £175bn had been injected into the economy. [Norton Rose](#)

### September 21, 2009

The Royal Bank of Scotland (RBS) is reported to be planning a £3-4bn rights issue in order to both reduce the stake it would give the government for RBS's participation in the asset protection scheme and to improve the bank's balance sheet. RBS is due to issue around £19bn of non-voting shares to the government as a fee for putting around £325bn of toxic assets into the government scheme. [Norton Rose](#)

### September 23, 2009

The European Commission unveiled legislation that officials hope will guard against a repeat of last year's financial crisis. The Commission has proposed the creation of a new European Systemic Risk Board ("ESRB"), to assess and warn about threats to financial stability in the region. This will be a new body made up of central bank governors for all the member states in the 27-country block, and chaired by the president of the European Central Bank, which will also provide working support. The ESRB will have the power to make recommendations and warnings to Member States who will in turn be answerable to the ESRB for non-compliance. Separately, there will be a new European System of Financial Supervisors, which will oversee the banking, securities, insurance and occupational pensions sector. Its role will be to develop harmonized rules and common approaches to supervision. [Norton Rose](#)

### September 24, 2009

Sterling slid to a five month low against the Euro following comments by Mervyn King that the Bank of England is comfortable with a weak pound. Mr. King suggested that a weak pound will assist in reducing the trade deficit by encouraging exports. [Norton Rose](#)

### September 30, 2009

The UK Government published a statement that HSBC, Lloyds Banking Group, Royal Bank of Scotland, Standard Chartered and Barclays had signed up to and would be fully implementing the Pittsburgh G20 bonus reform proposals in the 2009 bonus round. Questions were raised as to whether the US would follow suit, following concerns expressed by the US regulators as to whether the strictly drafted rules could be applied to a variety of institutions in such a blanket fashion. [Norton Rose](#)

### October 11, 2009

The Centre for Economics and Business Research predicted that UK interest rates will remain at their historic low of 0.5% through 2010, and will remain below 2% until 2014. If proved true, this is likely to leave sterling the lowest-yielding major currency at a time when interest rates outside the UK look set to start rising. Meanwhile, Australian interest rates recently increased by 4.7% after the Reserve Bank of Australia became the first central bank to lift rates in the current cycle. [Norton Rose](#)

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### October 21, 2009

The governor of the Bank of England calls for banks to be split into utility companies for their deposit taking and payments systems and risky ventures, a view sharply at odds with the Treasury, the Financial Services Authority and the G20 proposals.

The UK shadow chancellor, George Osborne, sets up a nine-person panel of City advisers to help overhaul Britain's system of financial regulation.

The British Bankers Association warned that the hasty implementation of new rules governing capital and liquidity requirements risks damaging economic recovery. [Norton Rose](#)

### October 26, 2009

The European Commission has ordered ING to sell off its insurance and investment management business in what will be a radical break-up for the financial services group. The dismantling of ING reflects the concerns of the competition authorities that their decision to wave through state aid pumped into the group during the crisis was too generous. The 'back to basics' restructuring plan announced by the group earlier this year had envisaged separate management of insurance and banking but had focused on the sale of individual assets rather than the tearing up of its business model. It is expected that the divestment will have repercussions for state-aided banks in Europe and the US. [Norton Rose](#)

### November 3, 2009

Lloyds Banking Group announced that they will be proceeding with a £13.5 billion rights issue together with a £7.5 billion plan to convert existing bonds into contingent capital in order to bolster the bank's tier 1 core capital ratio. In order to maintain their current 43.5% stake in the bank, the UK government will be required to invest an additional £5.9 billion under the terms of the rights issue. To satisfy state aid requirements it was also announced that Lloyds would be forced to sell off its Scottish branch network, the Cheltenham and Gloucester branded branches and its online banking business, Intelligent Finance.

The Treasury announced that a further £33.5 billion would be injected into Royal Bank of Scotland in order to ensure that the bank survives the current crisis, bringing the total government investment in the institution up to 84%. Of the headline amount, £25.5 billion will be direct invested into the bank while the remaining £8 billion will be set aside in an emergency liquidity fund. The bank has also been forced into selling their RBS branded branches, the Scottish Natwest branch network, the Churchill and Direct Line Insurance businesses and parts of the bank's investment banking arm, in order to satisfy state aid rules. [Norton Rose](#)

### November 5, 2009

The Bank of England announced that a further £25 billion will be injected into the economy, bringing the total amount expended under the quantitative easing program to £200 billion. However the announcement made clear that the bank would be following the moves made by the European Central Bank and the Federal Reserve by slowing the payments into the economy over the next three months, in an effort to return to pre-crisis policy. [Norton Rose](#)

### November 6, 2009

Royal Bank of Scotland announced a quarterly operating loss of £1.5 billion and impairment charges totaling £3.3 billion during the third quarter of 2009 against figures of £3.5 billion and £4.7 billion in the second quarter. [Norton Rose](#)

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### November 8, 2009

The Bank of England announced that a short-term spike in inflation will not be long-lasting. Economists have suggested that inflation in the US and UK may be on the horizon as investor demand grows for government securities that offer protection from rising prices.

Gordon Brown's proposed plan for a transactions tax has met wide criticism. The so-called 'Tobin Tax' had been designed to include insurance levies and funds to finance future bail-outs. The US, Canada, Russia, the IMF and the European Central Bank all opposed the proposal. [Norton Rose](#)

### November 11, 2009

Mervyn King has announced that Britain is "facing a prolonged period of balance sheet adjustment" as households, businesses and government rein in spending to affordable levels. The Bank of England has forecast growth rates of 2.1% for 2010 and 4% for 2011 in its quarterly inflation report. [Norton Rose](#)

### November 16, 2009

The deputy governor of the Bank of England has spelt out a number of regulatory measures needed for oversight of complex international financial institutions that stop short of requiring the break-up of banks that are 'too big to fail'. [Norton Rose](#)

### November 18, 2009

The Bank of England's forecast for medium-long term growth is now the strongest it has made since it was granted independence in 1997. The central growth forecast for 2010 and 2011 is 2.2 and 4.1 per cent respectively - the highest in 12 years. The Bank also made upward revisions to its inflation forecasts with consumer price inflation in the first quarter of 2010 expected to rise to 2.7 per cent. [Norton Rose](#)

### November 19, 2009

It was announced October's UK public borrowing figures reflect a deterioration in public finances, taking the rolling 12-month total of debt to £138 billion, nearly triple the level a year ago. [Norton Rose](#)

### November 20, 2009

The Dutch state has announced plans to provide ABN Amro and Fortis Bank Nederland with a further €4.4 billion in capital to keep their merger on track. FBN and the Dutch assets of ABN were nationalized a year ago when Fortis, their former owner, collapsed. The capital injection must be approved by parliament but Wouter Bos, finance minister, has argued that there is no practical alternative to pressing ahead with the merger to form a new bank that could eventually be floated or sold. [Norton Rose](#)

## 3. Switzerland

### September 14, 2009

FINMA presents report on the financial market crisis

The "Financial market crisis and financial market supervision" report issued by FINMA provides a comprehensive analysis of the financial market crisis and the ensuing decisions and actions taken by the Swiss Federal Banking Commission (SFBC). None of those involved recognized in time the origins of the crisis or the full extent of the dangers it posed. Furthermore, the analysis reveals certain weaknesses and a partial lack of effectiveness in banking supervision. The report concludes, however, that the SFBC responded rapidly and decisively, and that fundamental decisions for stabilizing the financial center were made in a targeted and timely manner. The SFBC quickly learned its lessons from the crisis and implemented remedial actions. [FINMA](#)

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November 3, 2009

UBS is rehiring some of the traders it fired from its fixed income unit to try and push investment banking into profit. UBS, which lost more money than any other bank during the credit crunch, is rebuilding its investment banking unit to catch up with rivals, such as Goldman Sachs and Credit Suisse, which are posting rising profits. [Guardian](#)

**November 3, 2009**

UBS announces its fourth consecutive quarterly loss as it reports disappointing outflows of 36.6 billion Swiss francs (\$35.8 billion). [Reuters](#)

**December 15, 2009**

Swiss bank to pay \$536m after allegedly breaking US trade sanctions. Credit Suisse moves to halt investigation by US authorities. Switzerland's second largest bank, Credit Suisse, is in advanced negotiations to pay a penalty of \$536m (£329m) to settle US allegations that it broke sanctions by doing business with Iran and other countries subject to trade restrictions. [Guardian](#)

UBS Board decision regarding claims in the subprime and US cross-border matters

Today, the UBS Board of Directors announced that it will not initiate legal action against former senior executives in connection with UBS's subprime-related losses and its former US cross-border business for private clients. The Board took its decision after a thorough review of these matters, which included consultation with external legal experts. [UBS](#)

## **4. International**

**September 4, 2009**

The Organization for Economic Co-operation and Development (OECD) forecast that the British economy is the only G7 economy that will not emerge from recession this year. The OECD believes that the British economy will record zero growth in the final quarter of this year, whilst the Eurozone and the US will record two quarters of growth. The OECD also expects the British economy to contract by 4.7% in 2009 (revised from its earlier forecast of 4.3%), much worse than the 3-3.5% contraction predicted in the last UK budget. [Norton Rose](#)

**September 7, 2009**

The Basel Committee of central bank governors is reported to have provisionally agreed on a set of rules based on the principles taken away from the G20 meeting in London earlier this month. Key proposals include increases in the size of capital reserves that banks are required to hold, together with much stricter guidelines on the quality of the reserves themselves and a cap on bank borrowings of 25 times assets. European banks are expected to be hit particularly hard by the requirement to hold a larger proportion of their reserves in simple cash and equity rather than the current equity debt mix allowed under the current rules. The Basel Committee is expected to publish the new rules by the end of the year, which analysts believe will lead to a rush by many institutions to raise capital on the markets. [Norton Rose](#)

**September 21, 2009**

Robert Zoellick, president of the World Bank called on the G20 leaders to set an ambitious agenda for "responsible globalization" that links efforts to promote more balanced growth with financial stability. The World Bank president also called for global unity of efforts to counter climate change. Mr. Zoellick also predicted that growth for the remainder of 2009 could beat expectations but added a cautionary note stating that whilst he was "not forecasting a double dip...we are not out of the woods yet." [Norton Rose](#)

**September 25, 2009**

The G20 leaders agreed to support new global standards on remuneration practices produced by the Financial

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Stability Board (the FSB). The principles agreed reward long term success over short term risk taking and include measures such as deferral of bonuses over a three year period and the ability to claw back pay in the event of non-performance. [Norton Rose](#)

### **September 30, 2009**

The International Monetary Fund (IMF) revised their initial estimate of the total loss to the global economic system as a result of the credit crisis from \$4 trillion to \$3.4 trillion. However, the IMF's Global Financial Stability Report tempered any signs of good news, by warning that many financial institutions had so far only declared approximately half of their likely total losses. [Norton Rose](#)

### **October 2, 2009**

The president of the World Bank, Robert Zoellick pleaded to the rich nations to inject more capital into the bank, following warnings that serious cash flow problems will be faced during the next financial year. In order to fund on-going and new projects, Mr Zoellick estimated that between \$3-5 billion would be required, although he accepted that raising such a figure would be difficult in the current climate. [Norton Rose](#)

### **November 23, 2009**

The managing director of the International Monetary Fund (IMF), Dominique Strauss-Kahn, in a speech given to the CBI in London, warned policy makers that an early exit from financial stimulus packages could do more harm than good. The speech focused on crisis recovery with Mr. Strauss-Kahn stating that the view of the IMF is that the worst is over, but the high levels of caution should still be exercised. This contrasts with the view of Jean- Claude Trichet, ECB president, who during a speech in Madrid warned that "ambitious" exit strategies should be agreed by policy makers in order to avoid an over reliance on the injected cash. [Norton Rose](#)

## **XI. 2010: January and February – austerity measures**

Although the world already believed that the crisis would now be over after hitting the financial sector and the car industry. But here comes a third player on the field that is affected by the repercussions of the crisis – it is the state of its own. All eyes on Europe: The austerity measures that several members of the European Union have to face are enormous. Greece and Ireland are particularly struck and challenge the Union's cohesion.

### **1. USA – back to square one?**

#### **January 7, 2010**

The Federal Reserve releases an advisory depository reminding institutions of supervisory expectations for sound practices in managing interest rate risk. This advisory, adopted along with the other financial regulators, reiterates the importance of effective corporate governance, policies and procedures, risk measuring and monitoring systems, stress testing, and internal controls related to the interest rate risk exposures of depository institutions. [Federal Reserve Press Release](#)

#### **January 12, 2010**

The Federal Reserve Board announces preliminary unaudited results indicating that the Reserve Banks transferred approximately \$46.1 billion of their estimated 2009 net income of \$52.1 billion to the U.S. Treasury. This represents a \$14.4 billion increase over the 2008 results. The increase was primarily due to increased earnings on securities holdings during 2009. [Federal Reserve Press Release](#)

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### January 13, 2010

The Financial Crisis Inquiry Commission (FCIC), created by Section 5 of the Fraud Enforcement and Recovery Act of 2009, holds its first public hearing in Washington, D.C. [Financial Crisis Inquiry Commission Hearings](#)

### January 19, 2010

In response to a request from the House Committee on Oversight and Government Reform, the Federal Reserve Bank of New York provides documents that relate to Maiden Lane III LLC and the public disclosures made by American International Group, Inc. (AIG) in December 2008 concerning the transactions entered into by Maiden Lane III. Maiden Lane III is a limited liability company that was formed in the fourth quarter of 2008 to facilitate a restructuring of the New York Fed's financial support to AIG. The New York Fed extended credit to Maiden Lane III to purchase multi-sector collateralized debt obligations from certain counterparties of AIG Financial Products Corp. [Federal Reserve Bank of New York Press Release](#)

### January 21, 2010

President Obama proposes new restrictions on the trading activities and market shares of commercial banks. Specifically, he calls for prohibiting banks from owning, investing in or sponsoring hedge funds, private equity funds, or proprietary trading operations for their own profit. He also calls for broader market share limits on commercial banks. [White House Press Release](#)

### February 1, 2010

The Commercial Paper Funding Facility, Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, Primary Dealer Credit Facility, and Term Securities Lending Facility programs expire. [Federal Reserve Press Release](#)

### February 12, 2010

Goldman Sachs and other banks may have to give up their bank status if they want to avoid Obama's proposal to separate proprietary trading from commercial banking, known as the "Volcker Rule". Markets are wondering how the rule would affect groups such as JPMorgan Chase, which have proprietary trading desks and private equity units. Executives at Goldman say that if the Volcker Rule is passed, it would probably sell its deposit-taking bank, which is an insignificant part of Goldman's \$900 billion - plus balance sheet. [Norton](#)

### February 16, 2010

The Chinese government's sale of \$34.2 billion in US Treasury Securities has resulted in Japan becoming the largest holder of US government debt, a position it has not held since September 2008. The biggest concern now facing the US is seeking out alternative finance from countries such as Japan and the UK. [Norton](#)

### February 23, 2010

The U.S. Treasury increases the balance in the Supplementary Financing Account, a product of the Supplementary Financing Program, from \$5 billion to \$200 billion. This will return the balance back to the level maintained between February and September 2009. [U.S. Treasury Department Press Release](#)

### February 23, 2010

The FDIC announces that the number of "problem banks" increased from 552 insured institutions with \$345.9 billion in assets at the end of third quarter of 2009, to 702 institutions with \$402.8 billion of assets at the end of the fourth quarter of 2009. [FDIC Press Release](#)

### February 24, 2010

Freddie Mac reports a net loss of \$6.5 billion in the fourth quarter of 2009 and a full-year 2009 net loss of \$21.6 billion, compared with a \$50.1 billion net loss in 2008. [Freddie Mac Press Release](#)

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## February 26, 2010

Fannie Mae reports a net loss of \$15.2 billion in the fourth quarter of 2009 and a full-year 2009 loss of \$72.0 billion. The fourth quarter loss resulted in a net worth deficit of \$15.3 billion as of December 31, 2009, and as a result, the Acting Director of the Federal Housing Finance Agency submitted a request for \$15.3 billion from the U.S. Treasury on the company's behalf. [Fannie Mae Press Release](#)

## February 26, 2010

Goldman Sachs faces Fed inquiry over Greek crisis – Investment bank is accused of helping to cause the crisis by using derivatives contracts to disguise how much Greece was borrowing. [Guardian](#)

## 2. Europe – gone is Greece's glory

### January 2010

Greece must refinance 54 billion euros in debt in 2010, with a crunch in Q2 as 20 billion euros becomes due. A 5-year bond issue in January was five times oversubscribed but the government had to pay a hefty premium.

[Reuters](#)

### January and February

European monetary union is undergoing the most severe test of its 11-year history. With debt markets in turmoil, Greece agrees to austerity measures to rein in its public deficit. Fears of contagion mount for Portugal and Spain, as well as for others. Given the absence of crisis provisions, it is unclear which EU authorities and which decision-making mechanisms will come into play.

[Financial Times](#)



Source: [cartoonstock](#)

### January 5, 2010

Iceland's president vetoed a bid by the island nation's Parliament to repay the U.K. and the Netherlands more than \$5 billion lost by depositors in Iceland's epic 2008 banking collapse—sending the matter to a referendum by a deeply skeptical public. [Wall Street Journal](#)

### January 14, 2010

Greece unveils the stability program on January 14 saying it will aim to cut its budget gap to 2.8 percent of GDP in 2012 from 12.7 percent. Unions protesting against the austerity plan, announce strikes for February. [Reuters](#)

### January 28, 2010

Greece promises to 'put house in order' – The spread between the interest charged on Greek and German debt widens to 4% as investors fret that Greece may default. [Guardian](#)

### January 29, 2010

Spain adopts a three-year austerity plan aimed at saving 50 billion euros. [EUbusiness](#)

### February 2010

Moody's and S&P warn that Greece could see its long-term credit rating downgraded. Eurozone leaders promise to help Greece if the country slashes its budget deficit. [LSE](#)

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## February 2, 2010

Papandreou makes TV appeal for unity over financial crisis – Greece announces a wider austerity package, including a freeze on public sector pay and higher taxes for low and middle-income households. [Guardian](#)

## February 3, 2010

EU Commission says it backs Greece's plan to reduce its budget deficit below three percent of GDP by 2012 and urges Greece to cut its overall wage bill and take extra fiscal measures.

Greece must refinance 54 billion euros in debt in 2010, with a crunch in Q2 as 20 billion euros becomes due. A 5-year bond issue in January was five times oversubscribed but the government had to pay a hefty premium [Reuters](#)

## February 8, 2010

Hector Sants has resigned as head of Financial Services Authority after three years as chief executive. He advocated banking reform, both in the UK and internationally but criticized the Conservatives' plans to give the FSA's supervisory role to the Bank of England and spin out consumer protection responsibilities to a new agency. The uncertainty over the FSA's future will make it difficult to recruit a successor and even under the Tories' reform plans, a merged regulator would take months, if not years to establish. [Norton](#)

## February 9, 2010

Official figures have confirmed that China overtook Germany last year to become world export champion. German goods' exports fell by 18.4% in 2009 compared with the previous year - the biggest year-on-year fall since 1950, according to the federal statistics office. Overall, German exports last year were equivalent to \$1,121.3 billion, which compared with the \$1,201.7 billion exported by China.

According to UK Prime Ministers Gordon Brown, the world's leading economies are close to agreeing a globally coordinated bank tax after President Barack Obama's move last month to raise \$90 billion (£57.7 billion) from a US bank levy. He believes that the IMF will endorse a global levy before its April meeting in Washington in a move that could cost the financial services sector tens of billions of pounds a year. Downing Street hopes an agreement in principle can be arrived at by world leaders at the G20 summit in June, although the implementation of the levy and the detail of how it would work could take longer. [Norton](#)

## February 10, 2010

Greek public sector workers strike as spectre of bailout looms – Riot police fire tear gas on demonstrators in Athens, protesting at the austerity measures. Meanwhile European leaders consider a rescue package for Greece at an economic summit. [Reuters](#)

Encouraging economic data out of Asia and hopes for a German-backed rescue package for Greece led the FTSE World equity index to rise 0.2% and Greek Bonds to soar, with yields plummeting. Germany is expected to take the lead in marshaling financial support for a Greek bail-out amongst fears that the crisis could spread to other Eurozone states with big deficits such as Spain and Portugal. However countries outside the euro area, led by the UK and Sweden, feel that the IMF would be better placed to organize the bailout. [Norton](#)

## February 11, 2010

Angela Merkel dashes Greek hopes of rescue bid – Germany opposes a quick bailout of Greece, saying the country must tackle its debt problems itself. [Guardian](#)

## February 17, 2010

Germany's Chancellor, Angela Merkel this week condemned investment banks for causing the financial crisis and for their suspected involvement in the debt crisis in Greece. In the meantime there is continuing civil unrest and turmoil throughout Greece with further industrial action planned for next week with no sign as yet that an EU rescue package is forthcoming. This follows Germany's insistence that Greece must reduce its public spending before other EU countries step in. [Norton](#)



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## February 18, 2010

For the first time since 1993, the UK Treasury found itself facing a deficit in the first month of the year. Despite public sector net borrowing totally \$4.3 billion for January, the Treasury maintained that this figure was expected as is covered self-assessment income and capital gains tax for the period 2008-2009 which spanned the height of recession. They expressed confidence that the total deficit for the financial year will fall well below its target of £170 billion, resulting in spare funds for the Government - however this has in turn sparked political debate as to whether any excess cash should be directed towards cutting the deficit or increasing spending. [Norton](#)

## February 24, 2010

Germany recorded a budget deficit of 3.3. per cent of GDP in 2009, well below the level for most of Europe's larger economies. It is the first year since 2005 that Germany has breached the Maastricht stability and growth targets, intended to keep deficit spending by European Union members below 3 per cent. [Norton](#)

## 3. Switzerland – UBS to be continued

### January 5, 2010

The Swiss Federal Administrative Court blocked UBS from turning over account information to the U.S. government according to an agreement reached earlier this week in which the bank, UBS, admitted it had helped U.S. taxpayers hide money from U.S. tax authorities. [Jurist judgment in German](#)

### January 8, 2010

Bradley Birkenfeld, a former UBS banker, starts a 40-month prison term in Pennsylvania, attacking the government for the punishment in light of what he called his cooperation in helping expose thousands of U.S. tax cheats. [Reuters](#)

A Swiss court rules that Swiss regulator FINMA broke bank secrecy laws when it ordered UBS to hand over the files of nearly 300 clients to U.S. authorities. Jan. 22 -- A UBS client wins a Swiss court appeal to prevent her account data from being given to the U.S. authorities, casting doubt on Switzerland's ability to deliver details of 4,450 UBS client accounts to the United States. [Reuters](#)

### January 12, 2010

UBS has issued a new in-house code of conduct and ethics, along with harsher disciplinary measures for employees and directors who breach the rules. [Swissinfo](#)

### January 27, 2010

Switzerland says it will talk to U.S. authorities in a bid to resolve the legal impasse. It says a possible step could be seeking retroactive approval for the UBS deal from the Swiss parliament.

### January 31, 2010

UBS's CEO Gruebel says he won't take a bonus but employees will have to be paid bonuses to prevent the best from leaving.

### February 1, 2010

Angela Merkel ready to buy stolen Swiss data on alleged tax evaders. Informant offered to sell tax data to for €2.5m. [Guardian](#)

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## February 7, 2010

The United States is unwilling to re-enter talks to alter a key deal struck with Switzerland to end a tax case against UBS, the U.S. ambassador in Berne says.

## February 9, 2010

UBS posts its first quarterly net profit of 1.205 billion Swiss francs (\$1.1 billion) since Oswald Gruebel took the helm a year ago. UBS says it will pay about 2.9 billion Swiss francs (\$2.7 billion) in cash bonuses for 2009, up from depressed payouts a year earlier. [Reuters](#)

UBS is back to pre-crisis level in the last quarter of 2009. Net earnings mounted to 1.2 billion Swiss Francs. The total net loss of 2009 adds up to 2.74 billion Swiss Francs. 147 billion Swiss Francs in of customer's money have flown off during 2009. [Financial Times](#)

## February 10, 2010

UBS returns to profit but outflows still a concern. Cost-cutting helps push UBS into fourth-quarter profit. Swiss bank to pay bonuses a third higher than in 2008. [Guardian](#)

## 4. International – The international community remains silent

### January 22, 2010

The Basel Committee on Banking Supervision releases a publication entitled “Compensation Principles and Standards Assessment Methodology”. This assessment methodology aims to guide supervisors in reviewing individual firms’ compensation practices and assessing their compliance with the FSB Principles for Sound Compensation Practices and their implementation standards. It seeks to foster supervisory approaches that are effective in promoting sound compensation practices at banks and help support a level playing field. [BIS](#)

## XII. 2010: March – May: State intervention as far as the eye can reach

It is now the time for massive government interventions and rescue packages in order to avert a total collapse of the global financial system.

### 1. USA – Government acts

#### March 7, 2010

It has been decided that the 23 largest banks in the US that have over \$100 billion of assets will be overseen by the US Federal Reserve rather than being supervised by a single regulator. This proposal has been put forward in an attempt to prevent a repeat of the Lehman bankruptcy and the burdensome bail out of AIG. Mr Geithner of the US Treasury told senators that only the central bank is capable of fully supervising these large institutions. However many senators are reluctant to allow the US Federal Reserve to retain its supervisory powers following its handling of the financial crisis. [Norton](#)

#### March 15, 2010

The credit rating agency, Moody's Investor Service, will issue a warning to the US on Monday, containing words to the effect that unless the state of public finances (i.e. the federal budget deficit) improves faster than the current estimates of the Obama administration, there will be "downward pressure" on its AAA credit rating. Moody's projections indicate that the extent of federal borrowing is so high that interest payments on government debt will be 15 per cent greater than government revenues, or approximately the same by the end of this decade. [Norton](#)

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### **March 31, 2010**

The Federal Reserve Bank of New York releases additional information on the three Maiden Lane limited liability companies that were formed to facilitate the merger between JPMorgan Chase and Bear Stearns (Maiden Lane I) and to facilitate the government's financial support of American International Group (Maiden Lane II and III). [Federal Reserve Bank of New York Press Release](#)

### **April 7, 2010**

Financial reform legislation proposed by the US President is starting to gain momentum. Negotiations are continuing and a bill is expected to be signed by Barack Obama on the second anniversary of the Lehman collapse. Within the House of Representatives and the Senate and between Republicans and Democrats there is a growing recognition that there is an urgent need to enact legislation sooner rather than later to address the underlying issues of the financial crisis.

The British Chambers of Commerce has published the results of its survey of 5,500 companies. The most prominent result shows that the economy has evaded a “double-dip recession” in the first quarter of this year. [Norton](#)

### **April 7, 2010**

Financial reform legislation proposed by the US President is starting to gain momentum. Negotiations are continuing and a bill is expected to be signed by Barack Obama on the second anniversary of the Lehman collapse. Within the House of Representatives and the Senate and between Republicans and Democrats there is a growing recognition that there is an urgent need to enact legislation sooner rather than later to address the underlying issues of the financial crisis. [Norton](#)

### **April 13, 2010**

The International Monetary Fund has urged US and European regulators to consider imposing higher customised capital requirements on “systemically important” banks deemed “too big to fail”. The discussion of capital surcharges for big banks will prove controversial, with bankers arguing that large institutions should not be penalised by regulators because of their size. US and European governments have pledged to overhaul regulation to avoid a repeat of the huge public bail-outs of troubled financial institutions seen during the financial crisis. [Norton](#)

The Republicans give the go-ahead to the US Senate to begin debating the financial reform bill in response to the Democrats’ decision to discard proposals to charge financial institutions \$50 billion to pay for a resolution fund. The Republican-Democrat truce comes after the Republicans had consistently blocked any debate on the bill for three days running.

Standard & Poor’s downgraded Spain from an AA plus rating to an AA rating. This debt downgrade dealt a blow to the Euro against the Dollar and has sparked new concerns that the Greek situation is spreading across the Eurozone. The impact of the downgrade on Spain has been significant with its stock market falling by 3 per cent. Spanish bonds were also significantly affected. In total this week, Standard and Poor’s has downgraded three European countries, Spain, Portugal and Greece, with the Greek credit rating being downgraded to junk. [Norton](#)

### **May 5, 2010**

Freddie Mac reports a net loss of \$6.7 billion in the first quarter of 2010, compared with a \$6.5 billion net loss in the fourth quarter of 2009. The fourth quarter loss resulted in a net worth deficit of \$10.5 billion as of March 31, 2010. In response, the Federal Housing Finance Agency, which is Freddie Mac's Conservator, will submit a request for \$10.6 billion from the U.S. Treasury on the company's behalf. [Freddie Mac Press Release](#)

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### May 9, 2010

The Federal Reserve re-establishes temporary reciprocal currency arrangements (swap lines) with the Bank of Canada, the Bank of England, the European Central Bank and the Swiss National Bank in response to the re-emergence of strains in U.S. dollar short-term funding markets in Europe. [Federal Reserve Press Release](#) | [European Central Bank Press Release](#) | [European Union Press Release](#)

### May 10, 2010

Fannie Mae reports a net loss of \$11.5 billion in the first quarter of 2010, compared with a net loss of \$15.2 billion in the fourth quarter of 2009. The Federal Housing Finance Agency, Fannie Mae's conservator, has requested the Treasury to provide Fannie Mae with \$8.4 billion on or prior to June 30, 2010. [Fannie Mae Press Release](#)

### May 11, 2010

The Federal Reserve publicly releases the text of three agreements with foreign central banks to reestablish temporary dollar swap facilities and announces that it would disclose information weekly on use of the swap lines by each of the counterparty central banks. [Federal Reserve Press Release](#)

### May 25, 2010

The Qatar Investment Authority, a sovereign wealth fund, has expressed interest in buying some of the US Treasury's 27 per cent stake in Citigroup. The wealth fund's interest in Citi comes as other wealth funds are shying away from banks – largely because of big losses on such investments in the past. [Norton](#)

### May 26, 2010

The U.S. Treasury Department announces the sale of 1.5 billion shares of its holdings of Citigroup common stock. The Treasury Department had received 7.7 billion shares of Citigroup common stock in 2009 in exchange for \$25 billion in preferred stock it received in connection with Citigroup's participation in the Capital Purchase Program. [U.S. Treasury Department Press Release](#)

### May 28, 2010

The Congressional Budget Office releases a study describing the various actions by the Federal Reserve to stabilize financial markets since 2007 and how those actions are likely to affect the federal budget in coming years. The report also presents estimates of the risk-adjusted (or fair value) subsidies that the Federal Reserve provided to financial institutions through its emergency programs. [Congressional Budget Office Press Release](#)

## 2. Europe – Eurozone intervention for Iceland and Greece

### March 2010

European leaders agree that Greece would receive co-ordinated bilateral loans from its euro zone partners as well as IMF assistance in the event of “very serious difficulties.” [LSE Crisis Timeline 2010](#)

### March 3, 2010

Greek population told to accept lower bonuses and higher taxes or risk bankruptcy. [Guardian](#)

### March 4, 2010

Greece breathes a sigh of relief as 10-year bonds sale proves popular –and the financial markets welcome the move by bidding for €16bn of government debt. [Greece debt crisis: timeline](#)

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### March 7, 2010

Iceland votes a clear no in its popular vote on the “Icesave-Deal“ although the UK and the Netherland had offered more favourable terms to the deal. [Guardian](#)

### March 9, 2010

Greek prime minister calls for a crackdown on financial speculators during a whirlwind world tour. Papandreou asks Obama for help. [Guardian](#)

### March 11, 2010

Due to concerns that the draft EU directive could adversely affect the hedge fund and private equity sectors, Gordon Brown and Nicolas Sarkozy met this week to find a compromise solution. The EU directive is aimed at tightening regulatory controls and both the UK and US fear that this will negatively impact on industries. Mr Geinther, the US Treasury Secretary, expressed concerns that the regulatory controls will “discriminate against US firms” but EU officials responded that the proposed directive was a measure taken in response to the G20 decision to enhance transparency in the financial system. The UK’s opposition stems from fears that the implementation of the directive will hinder the business of London based hedge funds. The UK argues that a passport system should be operated so that hedge funds operating in one Member State can operate in any Member State. [Norton](#)

### March 16, 2010

UK Prime Minister, Gordon Brown personally intervened to defer the discussion and implementation of new European regulations on hedge funds and private equity houses in a move designed to stave off "certain defeat for Britain" at a meeting of finance ministers in Brussels.

Spain, the current holder of the EU Presidency signalled that it intended to secure a deal on proposed legislation on the "alternative investments" sector before its term ends in June. This comes as a result of calls for regulation of hedge funds and private equity houses, through increased disclosure requirements to offset what is seen in some quarters as a systemic risk. [Norton](#)

### March 24, 2010

UK Chancellor, Alistair Darling delivered an extremely political Budget at the expense of the rich and banks. Darling's budget was strongly criticised. Economists have said that apart from tax increases and £9 billion in spending cuts, the Budget was vague. [Norton](#)

### March 25, 2010

ECB’s president, Jean-Claude Trichet, said Europe has to resolve the crisis on its own and disfavours IMF intervention. [Bloomberg](#)

Ireland, which in 2009 adopted two austerity plans, says its gross domestic product plunging by a record 7.1 percent during that year.

The EU decides to involve the International Monetary Fund in a Greek rescue package. [EUBusiness](#)

### March 29, 2010

Greece struggles on after weak response to bond sale – Financial markets start to lose faith in Greece's ability to service its debts. [Guardian](#)

Surveys have shown that 85% of companies are concerned that London is losing its competitiveness as a financial centre, but the UK financial services sector is set to enter a period of rapid growth. 48% of firms are predicting that they will experience a rise in business volumes over the next three months but such positivism is tempered by the possibility of tighter regulations and new taxes being imposed on financial institutions in the UK. [Norton](#)

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## March 31, 2010

The Labour government introduce a tax on banker's bonuses and has been promoting the need for a global tax to be imposed on banks. Similarly, the Conservative Party has also outlined proposals which include a levy on banks.

In Germany, the government has launched a scheme through which future bail-outs will be funded by the banks themselves. It is envisaged that financial institutions will pay into a fund that will then be drawn on whenever there is a threat to financial stability. The scheme is expected to raise £1 billion and the UK and France may follow since both countries have recently been toying with the idea of imposing a levy on banks. [Norton](#)

## April 2010

Standard & Poor's (S&P) cuts its long-term sovereign credit rating on Spain, saying the country is likely to see an extended period of subdued economic growth. Greece's credit rating has been downgraded to junk by Standard and Poor's, while the credit agency also cuts its rating on Portuguese government debt. German Chancellor Angela Merkel pledges to support Greece, but only if the debt-laden country accepts tough austerity measures.

Greek Prime Minister George Papandreou asks the European Union and the International Monetary Fund to activate their €45bn emergency aid package for the debt-laden country.

Moody's cuts Greece's sovereign debt rating and warns of further possible downgrades. Eurostat says Greece's 2009 budget deficit was 13.6%, more than the 12.7% previously estimated. It also cast doubt on the quality of data provided by Greece, which could push the deficit over 14%.

[LSE Crisis Timeline 2010](#)

## April 1, 2010

The Bank of England has issued a report stating that over the next three months, banks will continue to make personal loans and overdrafts available only to "better quality" borrowers. This contrasts to the banks' willingness to provide mortgages and credit to businesses. [Norton](#)

## April 8, 2010

The Bank of England has decided to maintain the 0.5 per cent UK interest rates partly due to the strong indications of growth at the year-end. [Norton](#)

## April 9, 2010

Following the loss of investor confidence on the bond markets, it seems inevitable now that Greece will have to seek a rescue package from the EU and International Monetary Fund (IMF) probably before the end of May 2010. The current instability of the markets at the moment means that the Greek government's plans to rectify its financial crisis by borrowing are not viable. Both the EU and the IMF have prepared a bail-out plan for Greece under which it would provide €22 billion. [Norton](#)

## April 11, 2010

EU ministers agree Greek bailout terms – Finally, after weeks of haggling the eurozone agrees a €30bn rescue package for its weakest member. [Guardian](#)

The eurozone maps out a plan to lend Greece 30 billion euros in 2010, at a rate of five percent. [EUbusiness](#)

## April 12, 2010

How Iceland's banking flaws brought down the country's economy. Damning 2,300-page report exposes failings of financial system. Senior politicians, regulators and bankers all at fault. Icesave collapse detailed, with UK regulator's involvement. Baugur and Tchenguiz loans were part of web of cross-holdings

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Behind Iceland's superficially booming financial markets in the mid noughties lay a financial system shot through with corruption and regulatory negligence that led inexorably to a dramatic economic meltdown 18 months ago, according to a damning truth commission report.

The 2,300-page forensic investigation, presented to Iceland's parliament yesterday, reserves its deepest criticisms for the island's three largest banks – Kaupthing, Glitnir and Landsbanki – which failed in quick succession in October 2008. The long-delayed report, produced after interviews with about 300 key players, found these banks had effectively been captured by some of their powerful majority shareholders and that the true extent of their financial vulnerability had been deliberately masked. [Guardian](#)



Source: [thebarkingofthedog](#)

Eurozone members agreed to provide up to €30 billion in loans to Greece over the next year during a teleconference of eurozone finance ministers. The loans will be supplemented by contributions from IMF that could yield an additional €15 billion according to European officials. [Norton](#)

#### **April 15, 2010**

Sharp sell-off in longer-term Greek debt and a fall in the euro – as news that Greece had asked the EU and IMF to discuss aid reminded traders about the unsustainable level of many developed nations' debt burdens. [Norton](#)

#### **April 16, 2010**

Fury in Greece over IMF intervention- Greek government admits that it may need help from the International Monetary Fund, pushing its bailout up to €45bn. [Guardian](#)

#### **April 19, 2010**

Greek borrowing reaches record high – The spread between the yield on Greek and German bonds shoots up to 469 basis points, as Greek workers fear the IMF's arrival. [Guardian](#)

The EU sharply increases Athens' 2009 public deficit estimate to 13.6 percent. Moody's cuts Greece's sovereign debt rating a notch from A2 to A3, sparking market panic. [EUbusiness](#)

#### **April 23, 2010**

Greece activates €45bn EU/IMF loans – With €16bn of debt maturing in May, Papandreou bows to the inevitable and officially requests a bailout. [Guardian](#)

Greece asks for up to 45 billion euros of urgent aid at low rates, promising new austerity measures. [EUbusiness](#)

#### **April 23, 2010**

Greece asked for the activation of a financial rescue plan by the eurozone and International Monetary Fund, in the hope it will help the heavily indebted country out of a major crisis and give it the breathing space to put its finances in order. [Timelines IMF](#)

#### **April 27, 2010**

Standard & Poor's downgrade Greek credit rating to junk status – S&P loses patience with Greece and slashes its credit rating to BB+, sending stock markets plunging worldwide. Analysts and politicians warn that €45bn simply won't be enough to sort out the Greek crisis, with Goldman Sachs predicting that the country may need a €150bn rescue package. [Guardian](#) | [Greece debt crisis: timeline](#)

#### **April 27/28, 2010**

Standard & Poor's downgrades Greece's sovereign debt to junk status and cuts Portugal and Spain's credit ratings. European stock exchanges tumble. [EUbusiness](#)

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## April 28, 2010

All eyes are Berlin—EU and IMF officials hold crunch talks with German leaders. Rumours of a €120bn package calm the markets, as Angela Merkel admits that admitting Greece into the euro may have been a mistake. [Guardian](#) | [Greece debt crisis: timeline](#)

## April 29, 2010

Greece's 15 eurozone partners and the International Monetary Fund shall shortly present an emergency multi-annual loan programme for Greece. The package consists of €30 billion in the first year from the eurozone partners with an additional top-up of at least €15 billion from the IMF. Across three years, the package could see the total reaching figures as high as €100 billion-€120 billion. [Norton](#)

## May 2010

Greece gets a €110bn (£93bn) bail-out from other countries using the euro, and the International Monetary Fund. [Telegraph](#)

Ratings agency Fitch cuts its rating on Spain's sovereign debt by one notch to AA+ from the highest possible rating of AAA.

Italy has joined Greece, Portugal and Spain in announcing tough austerity measures to help prop up the country's public finances. Germany's parliament approves the country's €148bn share of a €750bn eurozone rescue package.

German authorities ban naked short-selling in European public debt and the shares of its ten largest financial institutions in an attempt to stop speculators unsettling the region's sovereign bond market. Portugal becomes the latest eurozone country to unveil new measures to slash its deficit. Prime Minister Jose Socrates says income tax will increase between 1% and 1.5% and VAT will be upped to 21% from 20% previously. Spain unveils drastic new measures to cut its deficit and ease concerns that the problems afflicting Greece may spread. Spain's Prime Minister Jose Luis Rodriguez Zapatero announces cuts in civil service wages, pensions, social welfare spending and investment. EU ministers and the IMF agree to put together a €750bn stability fund. Eurozone members say they will provide loan guarantees up to €440bn, though this does not include UK, which is not in the euro. A further €60bn will come from all EU members to support 'struggling member states', while the IMF will set up a facility of up to a further €220bn. Greece's parliament approves the controversial austerity plan forced on it to receive a €110bn European Union/International Monetary Fund bailout. The bill passes with 172 votes in favour out of 300. Three people die in a fire in Athens started by protestors against planned austerity measures. Spain's Prime Minister Jose Luis Rodriguez Zapatero dismisses rumours that his country will require financial aid from the euro zone. Details of the aid package for Greece have been announced with the Mediterranean country set to receive a €110bn loan package over three years, with €80bn of that coming from the EU and the remainder from the International Monetary Fund. [LSE Crisis Timeline 2010](#)

## May 2, 2010 - massive bailout for Greece





Greece reached agreement with the EU and the International Monetary Fund on rescue loans, a lifeline worth \$146 billion, to keep Athens from defaulting on its debts, a deal that will impose harsh cuts on the county's 11 million people for years. [Timelines IMF](#)

European finance ministers triggered a record 110 billion euro (\$147 billion) bailout for debt-stricken Greece on Sunday after Athens committed itself to years of painful austerity. [Reuters](#)

Greece erupts as men from IMF prepare to wield axe. Anger is intensifying over cuts to be made as part of the EU deal to save the economy. [Times](#)

EU debt crisis: Greece granted €110bn aid to avert meltdown – After days of frantic negotiations, the IMF, the EC and the European central bank hammer out a three-year package to rescue Greece. [Guardian](#)

Athens announces a drastic austerity programme. Eurozone finance ministers approve a 110-billion-euro loan package for Greece over three years, with 80 billion euros coming from the bloc and the rest from the IMF. [EUbusiness](#)

Greece gets a €110bn (£93bn) bail-out from other countries using the euro, and the International Monetary Fund. [Telegraph](#)

**May 3, 2010**

German parliament passes law to enable Germany to contribute up to 148 billion Euros to the 750 billion euros rescue package for the eurozone. [Guardian](#)

The European Central Bank suspends benchmark criteria for lending to Greek banks. [EUbusiness](#)

ECB announces change in eligibility of debt instruments issued or guaranteed by the Greek government

The Governing Council of the European Central Bank (ECB) has decided to suspend the application of the minimum credit rating threshold in the collateral eligibility requirements for the purposes of the Eurosystem's credit operations in the case of marketable debt instruments issued or guaranteed by the Greek government. This suspension will be maintained until further notice.

The Greek government has approved an economic and financial adjustment programme, which has been negotiated with the European Commission, in liaison with the ECB, and the International Monetary Fund. The Governing Council has assessed the programme and considers it to be appropriate. This positive assessment and the strong commitment of the Greek government to fully implement the programme are the basis, also from a risk management perspective, for the suspension announced herewith.

The suspension applies to all outstanding and new marketable debt instruments issued or guaranteed by the Greek government. [ECB](#)

**May 4, 2010**

Greek protesters storm the Acropolis as markets lose faith – As anger erupts across Athens at the scale of the cutbacks that Greece must now implement, stock markets fall sharply and gold hits a record high as investors

<p>Bail-out box</p> <p><b>The biggest bail-outs of the financial crisis</b></p> <p><i>2008, March</i> – US-government saves Bearn Stearns with a \$29bn bail-out.</p> <p><i>2008, September</i> – US-government saves Fannie Mae and Freddie Mac with \$200bn bail-out.</p> <p><i>2008, October</i> – US-government sets up “Emergency Stabilization Act” worth \$700bn.</p> <p><i>2009, November</i> – IMF and eurozone’s Finance Ministers grant Greece a \$150bn bail-out; Ireland receives a \$120bn bail-out from the EU; Iceland gets support from the IMF and the Nordic Countries of \$4.6bn.</p> <p><i>2010, May</i> – Portugal obtains a \$115bn bail-out package by eurozones’s Finance Ministers.</p>
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start to doubt whether the €10bn bailout will actually solve Greece problems. [Greece debt crisis: timeline | Guardian | Guardian](#)

Spain and the IMF firmly dismiss speculation that Madrid is seeking a massive loan, as stock exchanges and the euro tumble. [EUBusiness](#)

### **May 5, 2010**

Greece is nearly paralyzed by a general strike, the third since February. During the protests, three people die in a firebomb attack on an Athens bank. [EUBusiness](#)

### **May 6, 2010**

Panic on the markets as the euro reaches its lowest point since March 2009 at 1.25 dollars. The Dow index suffers a record one-day drop of almost 1,000 points before recouping over half those losses. [EUBusiness](#)

The Greek Parliament voted in favour of various reforms and cuts in an attempt to cut the deficit and stabilise the country both financially and socially. Some of the proposals include public sector pay being frozen until 2014, VAT increase from 19 per cent to 23 per cent, an increase in the retirement age from 61 to 63 and taxes on fuel, alcohol and tobacco to rise by 10 per cent. These measures are also required to ensure that Greece receives the 110 billion euro rescue package agreed by the International Monetary Fund and the European Union Member States. [Norton](#)

### **May 7, 2010**

Eurozone leaders meet at a summit to stem the Greek crisis and stop the crisis from spreading. [EUBusiness](#)

### **May 10, 2010**

The Council of the European Union and the Member States decides on a comprehensive package of measures to preserve financial stability in Europe, including a European Financial Stabilization mechanism with a total volume of up to EUR 500 billion, with terms similar to those offered by the IMF. [Council of the European Union Press Release](#)

### **May 17, 2010**

The European Central Bank has bought €16.5 billion of Eurozone government bonds as part of an international rescue plan, amid widespread investor concern that the intervention is not sufficient to stabilize debt markets. The euro fell to its weakest level against the US dollar since April 2006 in spite of the €750 billion international support package and central bank intervention. The euro has fallen 14 per cent against the dollar this year. [Norton](#)

### **May 18, 2010**

New rules for hedge funds and private equity funds operating in Europe has won the backing of European Union finance ministers. The move follows a similar endorsement by a group of EU lawmakers on Monday and means regulation of the industry in the region has moved much closer. [Norton](#)

### **May 17, 2010**

Greece's austerity drive to return to fiscal health will only work if it is combined with measures to stimulate growth and investment, Papandreou says. [Reuters](#)

### **May 18, 2010**

Greece receives a 14.5 billion euro (\$18 billion) loan from the EU and can now repay its immediate debt, a development that helped to steady global investor's jitters. [Reuters](#)

With 5.5 billion euros already delivered by the IMF, Greece has now received the first 20-billion euro tranche of the loans. [Reuters](#)

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## May 20, 2010

Shares on Asian, US and European markets all tumbled as a response to Germany's partial ban on naked short selling and ahead of the vote on the US financial regulation bill. Disappointing US jobless data revived fears that the economic recovery could prove short-lived, helping push Treasuries higher and German bond prices to a record. [Norton](#)

In Athens some 25,000 people march peacefully to parliament protesting against government austerity measures. [Reuters](#)

## May 21, 2010

Germany's lower house of parliament have approved Germany's contribution to a €750 billion stabilisation package for the Eurozone. [Norton](#)

## 3. Switzerland – UBS and „too-big-fail“

### March 16, 2010

Top executives at UBS saw bonuses increase by more than a third despite an 11 per cent cut in the total pool as the bank returned to profitability last year.

Chief Executive Oswald Grübel again waived his bonus and the bank's top earner saw his pay slashed with a greater portion of variable pay hinging on long-term targets. But some staff and shareholders remain unimpressed. [Swissinfo](#)

### April 12, 2010

UBS reports best quarterly profit since before the financial crisis. Switzerland's biggest bank, has reported its best quarterly profits in almost three years after a rebound at the bank's debt trading business. [Telegraph](#)

### April 14, 2010

The battered reputation of UBS has been further dented after shareholders voted not to absolve some of the bank's former leaders of blame for its near collapse.

At the bank's annual general meeting on Wednesday, shareholders voted against exonerating the bank's 2007 management, which includes former chairman Marcel Ospel, from all blame. The rebellion opens the door to possible civil or even criminal law suits. [Swissinfo](#)

### May 4, 2010

UBS back in the black and hiring again. The Swiss bank looks to hire hundreds of bankers and traders as it reports \$2bn first-quarter profits. [Guardian](#)

### May 16, 2010

UBS could face lawsuits in the United States if the Swiss parliament fails to agree to a deal passing data on the bank's U.S. clients to U.S. tax authorities, Switzerland's finance minister said.

Hans-Rudolf Merz told the newspaper SonntagsBlick he hoped parliament, which will vote on the measure in June, would approve the agreement, though he could not be sure.

"The justice and finance departments of the U.S. administration signaled to us that they'd again take up the legal cases against UBS, which are now suspended," Merz was quoted as saying. [Reuters](#)

### May 15, 2010

The "Swiss Banks' and Securities Dealers' Depositor Protection Association" is responsible for overseeing the self-regulation prescribed by the Banking Act for the purpose of protecting the preferential deposits held with the branches of Swiss banks and securities dealers.

If the Federal Financial Market Supervisory Authority, FINMA (previously the Swiss Federal Banking

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Commission) initiates protective measures or forced liquidation proceedings against a bank or securities dealer, the members of the association provide funds so that the deposits deemed preferential under the Banking Act can be paid out as quickly as possible to the depositors. In accordance with the measures agreed by legislators to increase depositor protection, preferential status has, since 20 December 2008, been extended to include deposits of up to CHF 100,000 per depositor. The maximum amount that the members of our association are required to contribute is limited to CHF 6 billion. [Deposit Protection](#)

### **May 31, 2010**

#### **Swiss Report Slams Government Over UBS Crisis**

A parliamentary report that sharply criticized the Swiss government's handling of the financial crisis isn't likely to sway lawmakers ahead of a vote on a settlement with the U.S. to hand over account details on 4,450 wealthy clients of the Swiss bank suspected of using hidden Swiss offshore accounts to avoid taxes, Swiss banking giant [UBS](#) AG said. While the 370-page report from the parliament's influential control commission didn't focus solely on UBS, the commission said the government underestimated the rigor with which U.S. officials would pursue the Swiss data, which ultimately forced Switzerland to agree the data handover deal. [Wall Street Journal](#)

## **4. International – The IMF has to contribute its part**

### **March 15, 2010**

The Basel Committee on Banking Supervision releases a publication entitled “Report and recommendations of the Cross-border Bank Resolution Group”. The recommendations relate to the following areas: Effective national resolution powers; Frameworks for a coordinated resolution of financial groups; Convergence of national resolution measures; Cross-border effects of national resolution measures; Reduction of complexity and interconnectedness of group structures and operations; Planning in advance for orderly resolution; Cross-border cooperation and information sharing; Strengthening risk mitigation mechanisms; Transfer of contractual relationships; Exit strategies and market discipline. [BIS](#)

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### **April 13, 2010**

The International Monetary Fund has urged US and European regulators to consider imposing higher customised capital requirements on “systemically important” banks deemed “too big to fail”. The discussion of capital surcharges for big banks will prove controversial, with bankers arguing that large institutions should not be penalised by regulators because of their size. US and European governments have pledged to overhaul regulation to avoid a repeat of the huge public bail-outs of troubled financial institutions seen during the financial crisis. [Norton](#)

### **May 9, 2010**

The Executive Board of the International Monetary Fund (IMF) approves a three-year SDR 26.4 billion (€30 billion) Stand-By Arrangement for Greece. The IMF is making immediately available \$4.8 billion (about €5.5 billion) to Greece as part of joint financing with the European Union, for a combined €20.0 billion in immediate financial support. [International Monetary Fund Press Release](#)

## **XIII. 2010: June –August**

After emergency intervention and money injections to the economy governments now face up to the future and state what lessons have to be learnt from the current crisis. With mechanism of the legislation they try to set up a system that prevents the reappearance of a comparable crisis.

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## 1. USA

### June 11, 2010

In its May Troubled Asset Relief Program (TARP) report to Congress, the U.S. Department of the Treasury announces that TARP repayments to taxpayers have, for the first time, surpassed the total amount of TARP funds outstanding. Treasury's report shows that, through the end of the May, TARP repayments had reached a total of \$194 billion, which exceeded the total amount of TARP funds outstanding (\$190 billion) by \$4 billion.

[U.S. Treasury Department Press Release](#)

### June 16, 2010

Freddie Mac announces that the company has notified the New York Stock Exchange (NYSE) of its intent to delist its common stock and the 20 listed classes of its preferred stock. This notice is made pursuant to a directive by the Federal Housing Finance Agency, requiring Freddie Mac to delist its common and preferred securities from the NYSE. According to a press release by FHFA, the Acting Director of FHFA issued similar directives to both Freddie Mac and Fannie Mae. [Freddie Mac Press Release](#)

US banks second-quarter results will be weighed down by a £1.35 billion bill to pay for the UK tax on bankers'. The amounts to be paid by US banks will contribute to a windfall of £2.5 billion from the levy, larger than expected by the British authorities.

The tax forced banks to pay a one-off 50% levy on all UK bonuses above £25,000, including those awarded in shares. Unlike some European rivals, most US banks paid the full amount, shielding bankers from the effects of the levy. [Norton](#)

### June 25, 2010

Members of the US Congress have voted to impose a tough proprietary trading ban on deposit-taking banks, new conflict of interest rules and a \$19 billion levy on the industry.

Plans by global regulators for banks to set aside billions of dollars in extra capital to cope with future crises are to be pared back after intense lobbying by the industry. Proposed short-term emergency funding measures will go ahead.

The French government announced a further €3.5 billion of tax rises for 2011 as it sought to bolster confidence in its commitment to reduce its budget deficit. The latest announcement brings the amount France aims to raise from tax increases next year to €13.2 billion. [Norton](#)

### June 26/27, 2010

G-20 Summit in Toronto. [Guardian](#)

### June 29, 2010

US lawmakers have scrapped a proposed \$19 billion bank fee as Democrats struggled to secure sufficient votes to pass the Wall Street reform bill. The new proposal involves ending early the \$700 billion troubled asset relief programme and increasing the revenue raised by the Federal Deposit Insurance Corporation. [Norton](#)

### July 15, 2010

The US Senate has passed a landmark reform of Wall Street on Thursday, delivering President Barack Obama's second big legislative victory and ushering in a raft of restrictions on banks. President Obama will next week sign into law the Dodd-Frank Act, bringing to a close a year-long effort to overhaul the US financial system and its regulators.

Goldman Sachs agrees to pay a \$550 million fine to settle US regulators' accusations that it misled investors in a mortgage-backed security – a move that ends the highest profile regulatory case since the crisis.

Italian Prime Minister Silvio Berlusconi's government has won senate approval for its €25 billion austerity programme, overcoming dissent from the prime minister's allies as well as opposition parties. [Norton | Spiegel](#)

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### July 21, 2010

President Barack Obama signs the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 into law. The law is aimed at promoting financial stability in the United States through a variety of mechanisms. [Dodd-Frank Wall Street Reform and Consumer Protection Act](#)

### July 30, 2010

The US public's hope of getting repaid for the bail-outs of Bear Stearns and AIG in the financial crisis has increased after the Federal Reserve reported a paper profit for the first time on all the holdings of securities bought from the companies.

Citigroup has agreed to pay \$75 million to settle Securities and Exchange Commission charges that it failed to disclose to investors more than \$40 billion in exposure to subprime mortgages. [Norton](#)

### August 4, 2010

Goldman Sachs is preparing to shut down the unit that trades with the bank's funds and move its traders to either an independent hedge fund or its asset management arm to comply with new US law and prevent an exodus of star employees. [Norton](#)

### August 10, 2010

The US Federal Reserve has taken a first step toward extending its crisis-era monetary policy regime, as it downgraded its view of the economic outlook amid rising fears of a "double-dip" recession. They have agreed to begin reinvesting more than \$150 billion (£95 billion) in annual proceeds from maturing mortgage-backed and agency securities into Treasury debt, halting plans to allow a natural shrinkage of the \$2,300 billion balance sheet the US central bank built up during the recession.

US regulators have increased their scrutiny of the country's largest banks, digging deeper into riskier activities and pushing institutions to conduct more rigorous "stress tests" of their financial health. [Norton](#)

### August 19, 2010

California will be forced to issue IOUs to public workers and other creditors in lieu of cash in the next two months if a budget deadlock cannot be broken, the state's financial controller has warned. [Norton](#)

### August 31, 2010

The healing of the US banking sector picked up pace in the second quarter with lenders' profits rebounding to pre-crisis levels amid falling loan losses, according to official data today. However, the earnings performance masked the wide gap between resurgent large banks and their struggling smaller rivals. [Norton](#)

## 2. Europe

### June 2010

European finance ministers finalize the creation of the European Financial Stability Facility, a fund to make loans to countries which get into financial distress. It is designed to stop fears of a debt crisis spreading beyond Greece. [Telegraph](#)

Rating agency Moody's warns that it may downgrade Spain by as much as two levels due to its weak growth prospects and mounting fiscal problems. Banks borrow less than feared from the European Central Bank in a three-month tender easing tensions over the health of the Eurozone's banking system. European governments agree to publish the results of stress tests on the region's 25 most systemically important banks in July to shore up investor confidence. [LSE](#)

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## June 10, 2010

Portugal's finance minister said the country has no plans to use emergency European Union funding and is confident it can borrow at lower rates in international markets.

The Institute of International Finance warned on Thursday that economic growth in the Eurozone, the US and Japan would be cut by 3 per cent between now and 2015 if current proposals to force banks to hold more capital and liquid assets go forward unchanged. [Norton](#)

## June 14, 2010

UK sterling climbed on Monday after comments from Bank of England that inflation could stay higher for longer. [Norton](#)

## June 15, 2010

Spanish banks are borrowing record amounts from the European Central Bank as the country's financial institutions struggle to gain funding from capital markets.

Spanish banks borrowed €85.6 billion from the ECB last month, the highest amount since the launch of the Eurozone in 1999. [Norton](#)

## June 22, 2010

In an emergency budget designed to seize control of public finances strained by the biggest financial crisis in decades, UK Chancellor George Osborne outlined cuts for most government departments of 25 per cent by 2014-15. This represents one of the most drastic spending squeezes in any advanced economy in recent times. [Norton](#)

## June 30, 2010

New rules on capital requirements for banks and a cap on bonuses for bankers are the results of negotiations between the Council and the European Parliament which were concluded with a deal. Once this is finalised, the rules are expected to take effect in January 2011 for the bonus provisions and not later than 31 December 2011 for the capital requirements provisions.

European Central Bank hopes of a smooth return of €42 billion of emergency loans it made to banks a year ago have been boosted after demand for three-month liquidity offered as an alternative fell far short of expectations. [Norton](#)

## July 2010

EU lenders are given a largely clean bill of health when European banking regulators release the results of bank stress tests. All but seven of the tested 91 European banks would be able to cope with a future economic blow-up, tests reveal. Hungary's plans to cut its budget deficit are deemed insufficient by the International Monetary Fund (IMF) and the European Union, which withdraws a €20bn credit line for the country. Credit rating agency Moody's downgrades Portugal's long-term debt by two notches, but says the outlook is now stable. The agency cuts the rating to A1 from Aa2. Cash bonuses for bankers should be limited to no more than 30% of their total bonus, or 20% for larger payouts, European Union policymakers decide. [LSE 0](#)

## July 6, 2010

European commercial banks have begun using their holdings of gold to raise cash with the Bank for International Settlements, in a further sign of strains in the money markets on which many rely for funding. [Norton](#)

## July 7, 2010

The Bank of England has made nearly £10 billion in paper profits by buying UK government bonds as part of emergency efforts to pump money into the British economy.

The buy-back programme that began in March 2009 and involved purchasing nearly £200 billion in gilts – has generated gains of £9.7 billion for the Bank, according to analysis for the Financial Times. [Norton](#)

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### July 8, 2010

New rules restricting bankers' bonuses have been approved by European Union lawmakers. As a result, bankers will only be able to receive between 20 and 30 per cent of any bonus in upfront cash – the toughest restriction worldwide of this kind.

The EU measures, part of a broader set of amendments to bank capital rules, were agreed between member states and EU parliamentarians last week. [Norton](#)

### July 23, 2010

The Committee of European Banking Supervisors (CEBS), publishes the results of the EU-wide stress-testing exercise, in close cooperation with the ECB. [European Union Publication](#)

### July 28, 2010

Portugal has become the first Eurozone country to agree to set aside cash – or other assets – against derivative transactions in a decision intended to reduce its funding costs. [Norton](#)

### August 2010

Greece moves closer to securing a €9bn aid package as European Union and International Monetary Fund inspectors applaud the country's recent progress. [LSE 0](#)

### August 16, 2010

Angela Merkel, Chancellor of Germany, is sticking with plans to cut public spending and hold off tax cuts even as the Country's recent growth spurt suggests that the economy this year could expand at twice the rate last forecast by Berlin. [Norton](#)

### August 18, 2010

The United Kingdom Listing Authority (UKLA) has loosened requirements on financial data, so that a listed company must provide a target in order to avoid suspension of the acquirer's shares. It also said it would no longer allow listed companies to attempt to avoid the information provisions of the rules by creating a new holding company, or "Topco", used to take over both acquirer and target. [Norton](#)

### August 27, 2010

Postponing cuts in public and private sector debts would be "very dangerous" and risk a Japanese-style "lost decade", Jean-Claude Trichet, European Central Bank president, has warned. [Norton](#)

### August 29, 2010

The European Central Bank is expected this week to extend emergency support for Eurozone banks until early next year as it gauges how well the 16-country region might withstand a big US or global slowdown. [Norton](#)

Irish banks are gearing up to repay more than €25bn of debt in the coming month, in what could prove an important test of investor sentiment towards the broader Eurozone financial sector. [Norton](#)

### August 25, 2010

Ireland accused Standard & Poor's on Wednesday of a "flawed" analysis of the country's debt position after its credit rating downgrade to AA- sparked a sell-off in Dublin's bond markets. [Norton](#)

## 3. Switzerland

### June 14, 2010

Swiss authorities hand over 500 accounts to US.



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Swiss newspaper, *Sonntag*, claimed on Sunday that Swiss authorities have already passed over 500 accounts of UBS clients to the United States under an agreement made last August to resolve a tax dispute.

This claim comes after the Swiss lower house last week rejected the US-Swiss data transfer deal. The vote has led to a new parliamentary debate to be held next week and has delayed a final decision on whether to allow the government to hand over a total of 4,450 UBS client accounts to US authorities.

This delay threatens to stop Switzerland handing the information over to the US by the agreed deadline in August. If this deadline is missed the US could restart legal action against UBS.

The US-Swiss deal was made to resolve a civil case. In a separate, criminal case in February last year, the Swiss bank agreed to pay a \$780 million fine to settle charges that it helped US citizens evade taxes.

As a result of this case, UBS no longer provides offshore banking services to US clients. A number of other Swiss banks, such as Julius Baer and Wegelin, have also moved to stop providing such services.

Swiss tax office spokesman Thomas Breuckner is quoted as saying: "Client dossiers were transferred to the United States in around 500 of the 2,900 cases."

UBS declined to comment and there has so far been no further comment by the Swiss federal tax office.

[Stepjournal](#)

### June 3, 2010

A Swiss-U.S. deal to end a tax dispute that nearly crippled UBS AG and undermined Swiss bank secrecy inched closer to full parliament approval as the upper house gave it its backing on Thursday.

The deal is yet to be approved by the parliament's lower house, which will vote on it next week. Yet the chances of full parliamentary backing have improved since Switzerland's main party, the right-wing SVP, lifted its objections in May. [Reuters](#)

### July 27, 2010

Global banking regulators have reached a breakthrough agreement to tighten capital requirements and impose new worldwide liquidity and leverage standards, but softened some of their proposals and delayed others to at least 2018. The Basel Committee on Banking Supervision states that all but one of the 27 member countries had signed up to the new principles, which limit what banks can count as so-called tier-one capital – the only kind that can be counted on to absorb losses. [Norton](#)

### August 26, 2010

A Swiss government commission report with recommendations to limit the risk of a possible failure of one of the country's large banks dragging down the whole economy will be delayed until new global banking rules have become clear.

The "too-big-to-fail" commission would publish its final report at the end of September 2010, the government said on Thursday.

"Although the work is at an advanced stage, the experts believe that it will not be possible to give concrete specifications, particularly regarding capital adequacy requirements, until the international minimum standards of the Basel Committee on Banking Supervision have been determined," the government said.

Originally, the commission had planned to publish the report by end-August so parliament could start discussions about new laws in its autumn session. [Reuters](#)

## 4. International

### August 30, 2010

The Basel Committee on Banking Supervision releases a publication entitled "Microfinance activities and the Core Principles for Effective Banking Supervision". The guidance is intended to point out areas whereby some

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degree of flexibility in implementing the BCP to the supervision of microfinance activities is appropriate, in light of the unique characteristics of microfinance vis-à-vis conventional retail banking. [BIS](#)

## **XIV. 2010: September - December**

A slow recovery is on its way although Ireland still has to face severe measures and several other “big players” are still in a financial trouble-zone. One of the lessons learnt from the crisis has been the need for a more intense global coordination of regulation of financial markets. This is what the Global Banking Committee tries to enforce by publishing its new recommendations on policies of regulation, known as Basel III.

### **1. USA**

#### **September 1, 2010**

The Securities and Exchange Commission warns credit rating agencies of their authority to bring fraud cases over conduct outside the US that has “foreseeable effects” in the country. [Norton](#)

#### **October 9, 2010**

A group of economists have launched a campaign against the Federal Reserve's decision to increase its quantitative easing programme by \$600bn (£375bn). They warned that QE2, as it is known, will simply exacerbate America's economic woes. [Norton](#)

#### **September 30, 2010**

The U.S. Department of the Treasury announces that it priced a secondary offering of all Citigroup trust preferred securities received pursuant to the Asset Guarantee Program (AGP). The aggregate gross proceeds from the offering, all of which represent a net gain or profit to the taxpayer under the AGP, will be \$2.246 billion. [U.S. Treasury Department Press Release](#)

#### **October 1, 2010**

Freddie Mac releases a statement that there may be affidavits that were improperly executed in connection with foreclosures. The alleged practices in the reports are not in compliance with Freddie Mac's guidelines and directives to its servicers. [Freddie Mac Press Release](#)

The Financial Stability Oversight Council holds its inaugural meeting. The council consists of nine members and has the main purpose of identifying risk in the United States financial system. [Financial Stability Oversight Council Initiative](#)

#### **October 5, 2010**

The U.S. Department of the Treasury today announces the release of a "Two-year Retrospective" report on [TARP](#). The report provides a comprehensive overview of the steps that Treasury took under TARP to contain a growing financial panic that gripped our country in late 2008 and early 2009. [U.S. Treasury Department Press Release](#)

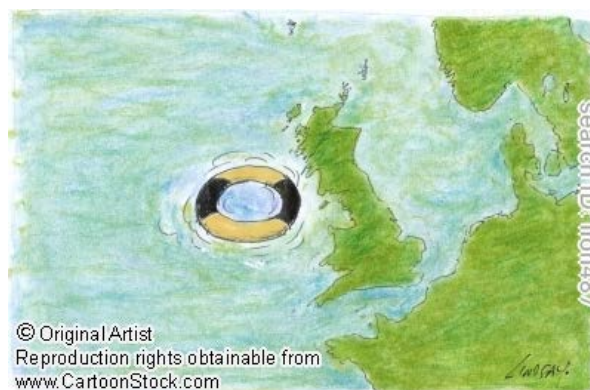
#### **November 3, 2010**

The [FOMC](#) announces its decision to expand its holdings of securities in order to promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate. The Committee will maintain its existing policy of reinvesting principal payments from its securities holdings and to purchase a further \$600 billion of longer-term Treasury securities by the end of the second quarter of 2011, a pace of about \$75 billion per month. [Federal Reserve Board Press Release](#)

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### November 22, 2010

EU/IMF authorities unanimously agree to a three year joint financial assistance program for Ireland in response to the Irish authorities' request on November 22, 2010. Ministers concur with the Commission and the ECB that a loan to Ireland is warranted to safeguard financial stability in the euro area and the EU as a whole. [Statement by the Eurogroup and ECOFIN Ministers](#)



Source: [cartoonstock](#)

### November 23, 2010

Staff teams from the European Commission (EC), European Central Bank (ECB), and International Monetary Fund (IMF) visit Athens from November 14-23 and conduct the second review of the government's economic program. The assessment is positive. Ireland meets the end-September quantitative criteria. Significant progress is made, particularly in reducing the fiscal deficit. [International Monetary Fund Press Release](#)

### November 23, 2010

The U.S. Department of the Treasury announces that with the delivery of \$11.7 billion in proceeds from the initial public offering (IPO) of General Motors (GM), the total amount of [Troubled Asset Relief Program \(TARP\)](#) funds returned to taxpayers now exceeds \$250 billion. [U.S. Treasury Department Press Release](#)

### November 24, 2010

Ireland's government outlines €15 billion (\$20.55 billion) in spending cuts and tax hikes over four years intended to reduce the budget deficit to 9.1% of gross domestic product in 2011. [Irish Government Press Release](#)  
December 2010

December 1, 2010 | The Federal Reserve Board releases detailed information about more than 21,000 individual credit and other transactions conducted to stabilize markets during the recent financial crisis, to restore the flow of credit to households and firms, and to support economic recovery and job creation in the aftermath of the crisis. [Federal Reserve Press Release](#)

### December 7, 2010

The U.S. Treasury Department sells its remaining shares of Citigroup common stock, which it had acquired in July 2009 in exchange for preferred stock received in connection with Citigroup's participation in the Capital Purchase Program. [U.S. Treasury Department Press Release](#)

### November 29, 2010

Comparisons to the weekend of September 13-14 2008 have been made frequently in the two years since the US investment bank Lehman Brothers was allowed to go bust. They were made again yesterday before Ireland agreed last night's €85bn (£72bn) bail-out. But despite hopes that this will be the beginning of the end of Europe's financial crisis, many think there are more jittery weekends to come. [Norton](#)

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## 2. Europe

### September 2010

Ireland begins a further bail-out of Anglo Irish Bank for up to €34bn, taking its budget deficit to around 32pc of gross domestic product (GDP). Allied Irish Bank and building society Irish Nationwide, which the government already had substantial stakes in, also needed more capital taking the total bailout to €40bn.

Brian Lenihan, Ireland's Finance Minister, said that while holders of subordinated bonds would be expected to share in the cost of bailing out Irish Nationwide and Anglo Irish Bank, the two government-controlled lenders, the government wouldn't inflict losses on bondholders of banks with publicly-traded shares, such as Allied Irish.

[Ireland timeline](#)

The cost of bailing out Ireland's stricken banking system rises to 45bn euro (£39bn), pushing the country's budget deficit up to around a third of GDP. [BBC](#)

### September 7, 2010

Europe must “accelerate the pace of structural reform over the next year to consolidate an uneven economic recovery”, José Manuel Barroso, President of the European Commission, told the European parliament in his first “state of the union” address today.

Barclays has confirmed Bob Diamond, head of its fast-growing investment bank, as its next chief executive.

[Global financial recovery chronology](#)

### September 30, 2010

Ireland's central bank reveals that the cost of rescuing the banks, and in particular Anglo Irish, following the financial crisis will push the public deficit to 32 percent of gross domestic product in 2010, from 11.6 percent currently.

Prime Minister Brian Cowen's government promises a four-year austerity plan to bring the deficit back under three percent by 2014. [Timeline of the Irish financial crisis](#)

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### October 4, 2010

In Belgium European and Asian leaders opened a formal summit amid high security and palace opulence, hoping to agree on commitments to keep the global financial system on an even keel and find a better balance on the Europe-dominated IMF. [Timelines IMF](#)

### October 29, 2010

At an EU summit, Chancellor Angela Merkel of Germany says holders of Eurozone countries' debt should be forced to take some losses as part of any debt-restructuring. She argues with Jean-Claude Trichet, president of the European Central Bank, over the issue. Germany's position sparks fear in the bond markets that investors would avoid buying bonds from countries like Ireland, Portugal and Greece, pushing them into a funding crisis. From this date, the spread in yields between Irish and German government bonds begins to widen.

Merkel reiterated her point last week: “We do also need creditors to be involved in the costs of restructuring,” the German Chancellor said at the G20 meeting in Korea. “We can't constantly explain to our voters that taxpayers have to be on the hook for certain risks, rather than those who make a lot of money taking those risks.”

[Irish debt crisis: timeline](#)

### November 2010

The Irish government agrees an 85bn euro rescue package with the EU, in a bid to tackle a huge hole in Ireland's public finance. The deal brings to an end weeks of speculation over the terms of the bailout. As part of the package, the government drafts an austerity program entailing four years of tax rises and spending cuts. Under pressure from his junior coalition partner, the Greens, Taoiseach Brian Cowen agrees to hold elections in January, after the 2011 budget has been passed. [EUbusiness](#) [BBC](#)

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### November 11, 2010

The spread between the yield on a 10-year Irish government bond and its German equivalent reached its highest point since the euro was created, to 6.65 percentage points. The higher the yield on government debt, the greater the expectation by investors that it won't be repaid. [Irish debt crisis: timeline](#)

### November 12, 2010

The Irish government denies rumors that it has asked the European Union for financial help, saying it is well funded until mid 2011. [Timeline of the Irish financial crisis](#)

### November 14, 2010

The Government's Independent Commission on Banking (ICB) has begun meeting top regulators and central bankers from around the world - to hear the views of the world's most senior policy makers for its report on the UK's finance industry. Sir John Vickers, chairman of the ICB, has already met Paul Volcker, former US Federal Reserve chairman, and its current head, Ben Bernanke, as well as holding talks with the top European Union officials in charge of regulating the financial sector. [Global financial recovery chronology](#)

### November 15, 2010

Dublin admits it is in contact with "international colleagues" over its economic difficulties but denies making any bailout request. [Timeline of the Irish financial crisis](#)

The *Irish Independent* said Brian Lenihan, Finance Minister, may ask his European counterparts if it would be possible to funnel funds into Irish banks into which he has already bailed out.

However Irish officials continue to deny the country is in direct talks about a bail-out, and can survive without raising more money until mid-2011, by which time budget cuts will have started to put the country's finances on a more secure footing. [Irish debt crisis: timeline](#)

The *Wall Street Journal* records that Ireland has not put cash into its banks this year, but shored them up with promissory notes, or IOUs. The country must start paying in cash next year.

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Global takeover activity is likely to pick up next year, according to some of Europe's top deal-makers, but it will take until 2014 at least before it returns to the levels of the pre-crisis boom. A survey of 100 senior executives, personally involved in about a tenth of the \$2 trillion (£1.25 trillion) worth of deals carried out in 2009, finds that just over half of them believe the gradual improvement in the world economy will see a further rebound in mergers and acquisitions (M&A) activity. [Global financial recovery chronology](#)

### November 16, 2010

Finance ministers from the 16 Eurozone countries say they are ready to help support the Irish banking sector if necessary as they seek to ensure the stability of shared European currency. [Timeline of the Irish financial crisis](#)

### November 17, 2010

Ireland agreed to work with an EU-IMF mission on urgent steps to shore up its shattered banking sector. [Timelines IMF](#)

### November 18, 2010

Experts from the European Union and the International Monetary Fund arrive in Ireland to assess the situation. [Timeline of the Irish financial crisis](#)

### November 21, 2010

Ireland became the second European country to ask for a multibillion euro emergency loan to help stabilize its debt-ridden banks. Finance Minister Brian Lenihan recommended to a cabinet meeting that the government should apply for a financial bailout program from the EU and the IMF. [Timelines IMF](#)

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### November 21, 2010

European finance ministers and the IMF agree to a massive loan for Ireland, estimated at between 80 and 90 billion euros. [Timeline of the Irish financial crisis](#)

Finance Minister Brian Lenihan says he will recommend to the Government that the country formally request a bailout package from the EU, ECB and IMF. [Irish debt crisis: timeline](#)

### November 22, 2010

Ireland's the government said banks will be pruned down, merged or sold as part of a massive EU-IMF bailout taking shape. Ireland's Greens pulled the plug on the deeply unpopular coalition government by calling for a national election in January after an EU/IMF bailout package is in place. [Timelines IMF](#)

### November 22, 2010

Capital raisings for growth have outstripped efforts by UK companies to repair balance sheets for the first time since the financial crisis began, in a sign that companies could be regaining confidence. According to research by Trowers & Hamlins, the City law firm, more than four-fifths of the money raised through secondary offerings in the third quarter of 2010 was earmarked for growth-related activities rather than bolstering shaky finances - compared with just 17 per cent in the same period a year ago.

China has lambasted the US for its decision to launch another \$600bn in monetary easing, fearing that this round of "quantitative easing" may feed the flood of money rushing into mainland China from overseas. Asia's primary convertible bond market is powering ahead. There is little bad news coming out of the region (apart from the prospect of further fiscal tightening in China), with strong economic growth and relatively stable capital markets. [Global financial recovery chronology](#)

### November 23, 2010

The European Union urged Ireland to adopt an austerity budget on time to unlock promised EU/IMF funding, responding to a deepening political crisis that threatens to derail the financial rescue. [Timelines IMF](#)

### November 23, 2010

Cowen is forced to call an election early in 2011 after the Green Party, the junior partners in his coalition government, demand a vote take place after the austerity plan and a December budget is passed. [Timeline of the Irish financial crisis](#)

### November 24, 2010

Dublin unveils a four-year plan detailing plans to cut spending by 10 billion euros and raise taxes by five billion euros as it seeks to slash its budget deficit. But it rejects pressure from Berlin and Paris to raise its low rate of corporation tax from 12.5 percent. [Timeline of the Irish financial crisis](#)

A monthly index released on Wednesday showed global goods trade slowing to a quarterly growth rate of just 0.9 per cent in the third quarter, the smallest expansion rate since the precipitous drop in trade in the second quarter of 2009. [Global financial recovery chronology](#)

### [Timeline of the Irish financial crisis](#)

Cowen's government sees its majority in parliament fall to just two after the opposition Sinn Fein party win a by-election in Donegal. The yield on benchmark 10-year Irish government bonds jumps to record highs above 9.0 percent as markets remain nervous about the economy.

### November 27, 2010

Tens of thousands of Irish protesters take to the streets to denounce the austerity measures and the bailout. [Timeline of the Irish financial crisis](#)

Income-seeking investors are increasingly turning to emerging market bond funds offering strong yields and exposure to currency movements - but advisers warn that these funds can be much more volatile than traditional

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fixed-interest investments. Net inflows to emerging market bond funds totalled almost \$40bn in the first nine months of the year, according to EPFR Global, the data provider.

On a day when Ireland's crippled banks were subjected to downgrades by ratings agencies and its borrowing costs hit record levels, above 9%, the Euro traded at two-month lows of \$1.32 and bank shares across Europe tumbled. [Global financial recovery chronology](#)

### **November 28, 2010**

International negotiators reach a deal with Ireland on a bailout worth about 85 billion euros, a diplomat in Brussels tells AFP. [Timeline of the Irish financial crisis](#)

### **December 2, 2010**

Spain and Ireland are set to launch large-scale privatisation programmes. The Spanish government is looking at auctioning stakes in its national lottery operator and airports and Ireland will look at privatisations in its electricity and gas sectors as part of a joint European Union and IMF bail-out package agreed last week. [Global financial recovery chronology](#)

## **3. Switzerland**

### **October 4, 2010**

The committee of experts appointed by the Swiss Federal Council to examine ways of limiting economic risks posed by large companies published its final report today. Its recommendations focus on the banking industry, where the too big to fail (TBTF) problem is particularly serious. At present, there is no doubt that the two big banks are systemically important in Switzerland. [FINMA](#)

### **October 5, 2010**

The Basel Committee on Banking Supervision releases a publication entitled “Principles for enhancing corporate governance”. Key areas of particular focus include: (1) the role of the board; (2) the qualifications and composition of the board; (3) the importance of an independent risk management function, including a chief risk officer or equivalent; (4) the importance of monitoring risks on an ongoing firm-wide and individual entity basis, (5) the board's oversight of the compensation systems; and (6) the board and senior management's understanding of the bank's operational structure and risks. The principles also emphasize the importance of supervisors regularly evaluating the bank's corporate governance policies and practices as well as its implementation of the Committee's principles. [BIS](#)

The “Swiss finish” to Basel III banking reforms have set tougher standards for Swiss banks, which must wait and see if they turn out to be an advantage or a burden.

The G20 meeting of the world's most influential nations has yet to agree on the Basel III proposals, let alone impose more stringent rules to protect economies from collapsing banks. Individual countries are also plotting their own regulatory course. [Swissinfo](#)

### **October 14, 2010**

Ex-UBS chiefs dodge legal action – for now. Former UBS bosses are unlikely to be sued for their part in the bank's calamities in 2008 and 2009, but could still face future lawsuits for decisions taken in 2007. [Swissinfo](#)

### **November 26, 2010**

Regulator FINMA defends actions in UBS crisis. Switzerland's financial watchdog said it acted correctly during a tax evasion and credit crisis that put Swiss bank UBS at risk as well as the whole economy. A parliamentary report in May said the government failed to act quickly to prevent the bank's credit woes and had exerted pressure on the regulator to order UBS to hand over client data from about 4,450 accounts to United States tax authorities.

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The watchdog - the Swiss Financial Market Supervisory Authority (FINMA) – argued in a statement on Friday that it had advised the government “clearly and in good time” that it would ultimately be obliged to order the disclosure of the client data under the Banking Act. FINMA was not put under pressure from the government, it added. [Swissinfo](#)

## 4. International

### September 10, 2010

The Executive Board of the International Monetary Fund (IMF) completes the first review of Greece’s performance since being granted a 3-year, SDR 26.4 billion (about €30 billion) stand-by arrangement (SBA). Greece receives the immediate disbursement of an amount equivalent to SDR 2.16 billion (about €2.57 billion), which brings total disbursements to SDR 6.97 billion (about €8.28 billion). [International Monetary Fund Press Release](#)

### October 12, 2010

The Basel Committee on Banking Supervision releases a publication entitled “Good Practice Principles on Supervisory Colleges”. The principles aim to promote and strengthen the operation of supervisory colleges. Supervisory colleges are an important component of effective supervisory oversight of an international banking group. The paper supplements broader guidance issued by the Basel Committee on cross-border cooperation and information-sharing by outlining expectations for both home and host supervisors in relation to college objectives, governance, communication and information, as well as potential areas for collaborative work. Following a principle-based approach, the good practice principles are designed to allow adequate flexibility in the way that they are implemented for a wide range of banks across different jurisdictions. [BIS](#)

### October 14, 2010

Global banking regulators today sealed a deal to effectively triple the size of the capital reserves that the world’s banks must hold against losses, in one of the most important reforms to emerge from the financial crisis, known as Basel III. [Global financial recovery chronology](#)

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