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Wall Street Aristocracy and RBS got $1.2T in Loans

FRED the Shred borrowed more money than any other European bank to keep the Royal Bank of Scotland afloat, shocking new figures have revealed.

Disgraced former chief executive Sir Fred Goodwin oversaw borrowings of more than GBP52 billion at the height of the financial crisis – the equivalent of more than GBP10,600 for every man, woman and child in Scotland.

RBS received the secret low-interest cash injections from the U.S. Federal Reserve via the bank's commercial arms in the United States.

It's a matter of record that the GBP45.5 billion-pound emergency capital injection RBS PLC received from U.K. taxpayers was the world's largest announced bank bailout.

But at the same time, the bank was also borrowing GBP billions a day from the Fed, according to the new information released under US freedom of information laws.

More than 29,000 pages of previously secret documents, released after court orders upheld FOIA requests, revealed that the Edinburgh-based bank got more cash in secret Fed loans than any other foreign bank.

The disclosure laid bare the extent to which the Scottish bank was saved from oblivion between August 2007 and March 2010 by the largesse of the Fed.

In just one day - October 7, 2008 - RBS Securities took pounds 12billion in emergency loans from the Reserve.

Three days later, as its stock price plunged 21 percent in a single day, the Edinburgh-based bank was borrowing:

*USD62.5 billion through its U.S. broker-dealer,

*USD11.5 billion through its New York branch,

*USD10 billion through its RBS Citizens North America bank and

*USD500 million through Citizens Bank of Pennsylvania.

The Fed aid exceeded even the GBP36.6 billion pounds of emergency liquidity the Bank of England supplied in secret to RBS in October 2008.

Around the same time Fred the Shred was asking shareholders for an extra pounds 12billion in a rights issue through the London Stock Market.

The documents showed RBS more extensive use than any European bank of the flagship $1.25trillion scheme that allowed debt backed by US home loans to be swapped for pristine US government bonds.

This Fed's intervention was instrumental in keeping the financial system afloat in late 2008 and early 2009 as it allowed banks to offload 'toxic' mortgage-backed securities that were clogging up their balance sheets.

RBS and other British banks were able to borrow in the US because of their large operations in North America.

More than pounds 7.5billion of those loans were made on interest rates of less than one per cent and the bank remained in debt to the Fed for a total of 661 days – around 22 months.

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Before the crisis, senior bank sources had stressed had claimed that the credit lines had been set up as a 'contingency', and might not need to be used at all.

Sir Fred was blamed for the disastrous GBP49 billion acquisition of Dutch bank ABN Amro at the height of the credit crunch, which loaded RBS with toxic assets and is believed to have been a major cause of the crisis which followed.

He became known as Fred the Shred because of his ruthless cost-cutting. But since his departure, RBS has had to announce 9,000 job cuts as it attempts to recover from posting a £24.1bn loss last year, the biggest in UK corporate history.

Although he took the bank to the brink of collapse he still left with a pension worth more than £700,000 a year, which was later reduced.

Our story on bloomberg.com came with an interactive graphic that allows users to explore the data for themselves (and create and share the links to what they find). Here is a link for the Royal Bank of Scotland:

http://bloom.bg/neUtJy

most of the underlying data can be found on the fed's website, where you can download spreadsheets detailing lending from the now-expired emergency programs:

http://www.federalreserve.gov/monetarypolicy/expiredtools.htm

http://www.bloomberg.com/news/2011-04-01/foreign-banks-tapped-fed-s-lifeline-most-as-bernanke-kept-borrowers-secret.html