

This credit instrument was security or warranty for the observance of liabilities and other parts of contract. Afterwards the SLC was refined to a liquidity creation instrument except-relating to the balance, as banks can use the lending ratio (relationship own capital funds/laid out credits) in addition, except-relating to the balance over SLC and/or.

To lend MTN emission taken amounts as high-interest-bearing credits at short notice. By the time limitation of one year, and/or. 10 years and in each case 1 day the completion for the bank besides still into a later balance period is shifted.

As is now the expiration of an emission

A Bank (i. D. R. a bank group) would like its commitment (partly also on behalf and/or. when desired the IMF and/or. the World Bank and. A. increase for the purpose of the financing of development assistance programs) in the loan business and these means refinance. It requests to emit a volume at MTN' s at the state supervision of the banks authority FED.

These bank instruments now discounts a small group of banks (i. D. R. over the o. A. Bank group) offered, which take over these papers against Vorkasse (find roofridge). They are then resold with a brokerage fee to usually institutional offerers. The FED has the task to supervise the emissions in order to adapt the international liquidity in the US Dollar area to the economic conditions.

In order to avoid inflationary tendencies, these bank instruments are spent only on the basis „find roofridge ", whereby only free means can be supplied to the bank cycle. An additional creation of money factor is thereby almost excluded. Same applies to the secondary market.

By sales of emitted Geldmarktpapiere on third (z. B. Insurance companies. Pension funds and. A .m) is restricted the credit creation potential of the banks, which works against again inflationary tendencies. Since such bank instruments are absolute clean ", only transferably from select major banks to be issued, tradable, immediately for sale transferable by endorsement and, represent they are beleihbar genuine securities with high interest use and are very much desired as plant papers.

They are safe like a bank debenture and are subject to no börslichen exchange rate fluctuations. In order to be able to enter into this business, first of all an amount of at least must. 10 millions USD to be proven. With a bank (i. D. ) One acquires R bank group a MTN. With an accepted bond issuing price around the 88% the Erwerber must approx. 8,8 Millions USD ever 10 Millions USD apply.

In the framework of the usual Trading's (on and sales of money and capital market papers) these bank instruments are bought first on the basis of "find roof ridge "(initiated) and afterwards further sold on the basis „collateral roof ridge ". Before procurement of the aforementioned Geldmarktpapiers with customers of these money market instruments over the acceptance of the paper existing now after Ersterwerb (find roof ridge) (collateral roof ridge) an agreement is usually closed.

By the co-operation of the o. A. Bank group by funds of the investors by payment „find roof ridge "created bank instrument becomes in the secondary market to the second solicitor (z. B. Insurance company, pension funds and. A. m.) with a margin resells. Since the Ersterwerb may take place only on basis „find roof ridge ", internationally with the emission of such papers no additional liquidity is set free. First solicitors (initiators) may not do credit institutes and insurance (because of their money and/or. Credit creation possibilities) its. Only by the secondary acquisition (collateral roofridge) additional liquidity can be created.

The role of the Federal reserve bank during the creation of money

In order to be able to understand the structure of the creation of money better, one should be occupied with the function and the role of the FED and the behind it- standing system more exactly. With the FED concerns it a privately created American central bank. The establishment took place via the house of representatives and the senate in the year 1913. At the same time with the establishment the bank reserve law (Federal reserve act) was justified. This law makes possible the FED until today to create money without equivalent and to borrow it for example the American government at interest.

With the currency control law (Monetary Control act). in June 1981 into force, the Federal reserve bank stepped among other things the power was given, not only the debts of the own nation to acquire but also the debts of other nations. The Federal reserve bank buys in addition in and foreign debts (e.g. SLC' s and MTN `s) of for example European major banks. The Federal reserve bank pays only USD, which is not drawn from that anything, as the salesman of the debt gets a line of credit by the Federal reserve bank granted.

This line of credit can be taken up to the debt at any time by the salesman (bank). In this way the circulating money supply is increased as well as the growth of the money supply is expanded. That has the consequence that the inflation can be heated up. Stop can be ordered by certain regimentations with permission for the expenditure of USD instruments to an inflation development.

This decision is with the Federal reserve bank respectable. this bank controlling committees and groups.

The Federal reserve bank affects itself by its legal equipment and the possibilities resulting in from it (publication of USD instruments), to which also world and monetary measures belongs, the money supply rotating in USD and with it the international liquidity.

Decisions of this kind are of monetary importance for the entire world. The Federal reserve bank functioned in addition, as a supervisory board for the instrument trade and exchanges itself regularly with the prominent central banks of the world over world-political developments of the monetary transaction, with which also joint strategies are developed.

Co-operation of the FED with the expenditure of MTN' s

Before the background of the IWF (international currency rear) as eligible for promotion recognized project initiates the IWF the emission so-called. Debenture Notes (MTN' s and/or. Bank debentures) by a major bank from the euro dollar area. The issue price of these notes amounts to at present 85% Pa. related to their nominal value.

The running time of these papers amounts to 10 years; they are provided with a yearly coupon of 7,5%. The Trader of the bank group (approved of the FED) possesses an appropriate Commitment (obligating promise) the FED to the emission of MTN' s and their resale.

For the acquisition and following resale of these MTN `s must the investor with the Trader of the bank group co-operate closely (Investmentvertrag). In order to be able to accomplish these business, the bank group has parallel to the before-described revolving assumption Commitment of a major bank from the circle of the bank group, select of MTN' s, likewise appropriate sales agreements, primarily with prominent US-Investment-banks, those at present these notes about. 90% to 95% of the nominal value remove.

The sales gain obtained thereby is divided according to the defaults of the FED between investor and bank group, whereby about two thirds of the profit flow to the investor. the other third becomes of the FED the financing of the humanitarian projects mentioned above needs. In addition, the usual bank charges result.

Refinancing possibilities of the banks by the example MTN

The MTN can serve the banks `s as simple source of income, since they receive funds from investors, without having to ensure publication of loan (shown in the balance undertakings).

Always a commercial transaction does not have to be the

basis for a MTN or be present an order for opening. It can be opened also independently of these conditions of the bank independently.

The MTN presents itself from therefore also as possibility of the raising of funds very interesting for the banks.

Those below represented operational sequence refer therefore predominantly to major banks (Rating „AA "and better). In the course of the years, they developed the functions further of the SLC and MTN apart from the provision of security of commercial transactions also increasingly to a liquidity procurement instrument except-relating to the balance of the major banks. In the business reports of the major banks, one searches often in vain for exact numbers from by business with MTN the' s and/or. Bank debentures obtained profits.

These generally fall under the balance sheet item „contingent liabilities ". Endorsements, warranties and letters of credit are not proven either at all or only „under the line of the balance ". The summary of business except-relating to the balance fulfills the facts of a camouflage of business thus to a large extent, with which partially lucrative profits are gained.

In order background for the exhibition of these papers to understand, should one with the function of the banks concern itself.

Depending upon nationality of the individual banks and the most diverse legal defaults of the respective states (e.g., KWG), as well as the associated requirements of the own capital funds ratio of a bank can act the ratio actively with the one bank can, up to be twenty times as high, as the minimum requirement placed against their capital cover.

The actual contingent liability for the bank results from the difference between purchase price and nominal value of the MTN. With the expressed possibilities regarding the increase of the active ratio the bank can, related to which again won own capital funds, as new line of credit against usual collateral to the final consumer assign a multiple of purchase price proceeds.

So, 8.8 millions can from USD as own capital funds to be evaluated and used, with a multiplier (credit creation) from 8 to 10 new granting of credit possibilities be created. >From this liquidity the bank, if the money is lent to the consumer as credit, can gain interest yields.

After 10 years and one day the MTN at a value of the nominal value of USD becomes 10 millions posed by the buyer at that time due and payable. Remain to the bank exkl. necessary refinancings and the associated costs, a not insignificant surplus. Thus the expenditure of the MTN paid `s for the bank.

A single business presents itself as follows:

These business becomes i.d.R. in a bank (member of the o. A. Bank group) completed. With the Trader of the bank group in the bank a Investmentvertrag is closed. The investor has the contractually agreed upon Investmentbetrag on own account with his house bank. The Investmentvertrag with this bank regulates the further Procedere and guarantees from the contract the yield.

Trading program

Before the background of a recognized project eligible for promotion (usually humanitarian kind, like z. B. Housebuilding in the third world, building of child villages or establishment of vital infrastructure measures) initiates the international currency rear (IWF) the emission of so-called. Debenture Notes issued of/by major banks from the euro-dollar area, usually is consisting that a bank group of major banks into the UK. German banks do not belong to the consortium.

On basis of this basis purchase „find roofridge "and sales in secondary market („collateral roofridge ") the Investment Trading programs are developed.

There „daily "acted (at the most however only on four bank days in the week) will must, are the margins desired not constantly in same height attainable.

In addition, these business cannot be accomplished on each day. Like that are at certain times (z. B. Vacation month August and/or. to the year-end) such business not possible. For this reason, usually also only 40 weeks for Tradingzwecke are accepted and guaranteed.

Why between „find roofridge "and „is Collateral roofridge "an arbitrage gain obtained?

Only select major banks (Rating „AA2 or better ") can emit such bank instruments (MTN `s). In addition, Investmentbanken, insurance and institutional investors have (particularly also because of the favorable interest) interest in these papers.

For legal reasons however such business can be accomplished by a multiplicity of appropriate institutions only if the paper is already existence.

The existence of this paper takes place however after the guidelines of the emission only against pre-payment (find roofridge). Thus, an investor necessarily becomes as a first solicitor in such a case.

Others than of the FED selected banks may not transact FED after the guidelines of the state supervision of the bank's authority such first solicitor business. Beyond that the existing paper is ideal an instrument for the adjustment of the national and international money and capital market.

After confidential information from banking circles must be assumed it will give this Investmentgeschäft with MTN `to s still many years. However, the conditions changed strongly.

So, the FED wants to reduce the number of the emitters (banks) due to its connection to the bank OF England strongly. Also new licenses are not to be assigned any longer. Only select major banks will accompany in the future these business.