Supporting Links
SUPPORT SB 5464 ESTABLISHING THE WASHINGTON INVESTMENT TRUST

1. Lines 10, 17, 20:

1a. Brown, Ellen Hodgson. ***From Austerity to Prosperity: The Public Bank Solution***. Baton Rouge: Third Millennium Press, 2013.

"Few depositors realize it but the bank legally owns their money as soon as it is deposited in the bank. The money becomes the bank's and the depositor becomes an unsecured creditor holding an IOU or a promise to pay. That has been the law for over a century …

Derivative claims have 'super priority' in bankruptcy, meaning they are first in line to grab assets; and they could squeeze out not only the depositors but the FDIC itself. (The bankruptcy Reform Act 2005. gives priority over depositors to derivative claims, including those deposits insured by FDIC) How secure is the FDIC? Its insurance fund is mandated by law to keep a balance equivalent to only 1.15% of its insured deposits. As of March 2013, it had only about $25 billion in its deposit insurance fund as against $9.2 trillion in total US deposits.

Two mega banks (JP Morgan Chase and Bank of America) hold more in notional derivatives than the entire global GDP.

The giant international banks are considered simply too big to fail, even if it means that depositor funds must be confiscated to keep them alive." pp. 336 – 342

2. Lines 14-15:

Stacie Prada, Jefferson County Treasurer, in a telephone interview on Monday, February 6, 2017 with Carol Gallup, Democratic Party member: "We pay a transaction fee, called an analysis fee, for every banking transaction. We used to bank with Bank of America. We paid $2,400 to $2,800 a month, depending on the number of transactions in that month. BofA sold our account, along with their branch, to a local bank, First Security Bank of Washington. Now we pay about one-third of what we paid before in transaction fees. We also have an account with USB in Quilcene, and some CDs with small banks." Treasury office, County Courthouse, (360) 385-9150

3. Line 17, 20:

3a. Plan to Bail Out 'Too Big to Fail' Banks Raises Skepticism
Stephen J. Lubben, October 24, 2016

The basic model involves the holding company issuing a lot of debt that is used to fund the operating subsidiaries. Because these new funds come in the form of long-term bonds, they cannot be subject to a run like bank deposits in the 1930s or repo or commercial paper in 2008. These bonds, called total loss absorbing capacity, would be exchanged for shares in the financial institution. Old shareholders would be wiped out.

https://www.nytimes.com/2016/10/25/business/dealbook/plan-to-bail-out-too-big-to-fail-banks-raises-skepticism.html?rref=collection%2Ftimestopic%2FFederal%20Deposit%20Insurance%20Corporation

3b. Regulators Warn 5 Top Banks They Are Still Too Big to Fail
Nathaniel Popper and Peter Eavis, April 13, 2016

"The Federal Reserve and the Federal Deposit Insurance Corporation said on Wednesday that five of the nation's eight largest banks — including JPMorgan Chase and Bank of America — did not have "credible" plans for how they would wind themselves down in a crisis without sowing panic.

That suggests that if there were another crisis today, the government would need to prop up the largest banks if it wanted to avoid financial chaos."

https://www.nytimes.com/2016/04/14/business/dealbook/living-wills-of-5-banks-fail-to-pass-muster.html

3c. Morning Agenda: Five Banks Seen as Too Big to Fail
Sei Chong, April 14, 2016

FIVE BANKS SEEN AS TOO BIG TO FAIL | Nearly eight years after the financial crisis, five of the largest American banks are still seen as too big to fail, Nathaniel Popper and Peter Eavis write in DealBook. The Federal Reserve and the Federal Deposit Insurance Corporation determined that JPMorgan Chase, Bank of America, Wells Fargo, State Street and Bank of New York Mellon submitted plans for insolvency, also known as living wills, that were "not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code." Goldman Sachs and Morgan Stanley received passing grades from only one of the two agencies.

https://www.nytimes.com/2016/04/14/business/dealbook/living-wills-of-5-banks-fail-to-pass-muster.htmlhttps://news.blogs.nytimes.com/2016/04/14/morning-agenda-five-banks-seen-as-too-big-to-fail/?rref=collection%2Ftimestopic%2FFederal%20Deposit%20Insurance%20Corporation

3d. Banks Still Too Big to Regulate
The New York Times Editorial Board, April 14, 2016

Federal Reserve and the Federal Deposit Insurance Corporation rejected the plans of Bank of America, Bank of New York Mellon, JPMorgan Chase, State Street and Wells Fargo.

https://www.nytimes.com/2016/04/14/opinion/banks-still-too-big-to-regulate.html?rref=collection%2Ftimestopic%2FFederal%20Deposit%20Insurance%20Corporation

4. Line 17

More Evidence of Undercapitalization/Insolvency of Major Banks
Yves Smith, Posted January 21, 2011

Paying dividends helps banks maintain excessive leverage. A typical bank funds over 95 per cent of its investments with debt and less than 5 per cent with equity. A small drop in asset values can lead to distress and possible insolvency. We have seen that furious "deleveraging" by any highly leveraged and interconnected bank can start a crisis…

The Basel III reforms agreed last year set minimum bank equity between 4.5 per cent and 7 per cent of "risk-weighted assets", which are significantly smaller than total assets for most banks. Triple A-rated assets require little or no equity capital. The system of risk weights established by Basel II, which distorts banks' investments towards favourably treated assets, was mostly maintained. Under Basel III, the ratio of equity to total assets can be as low as 3 per cent.

These equity requirements are dangerously low. Significantly increasing banks' equity funding would provide many benefits to the economy, at little social cost. ...the capital ratios mean nothing if the assets are overvalued.

http://www.nakedcapitalism.com/2011/01/more-evidence-of-undercapitalizationinsolvency-of-major-banks.html

5. Lines 23, 26

Brown, Ellen Hodgson. *From Austerity to Prosperity: The Public Bank Solution.* Baton Rouge: Third Millennium Press, 2013.

5a. [In cases where a state bank is the lender] For the state, infrastructure projects are effectively interest-free, since the bank returns interest to the state in the form of an annual dividend. The result is to reduce project costs by an average of 40% over the life of the loan. p. 365 (See also: Chapter 1).

5b. In April, 2011, the BND (Bk of N Dakota) reported annual profits of $62 million, setting a record for the 7th straight year. The profits belong to the citizens and they are generated without taxation." (Note: The 7 record years prior to 2011 included the meltdown years of 2007-2008 that destroyed the economy of the rest of the country.) p. 365

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