Eye on the World
December 2, 2023

This compilation of material for "Eye on the World" is presented as a service to the Churches of God. The views stated in the material are those of the writers or sources quoted by the writers, and do not necessarily reflect the views of the members of the Church of God Big Sandy. The following article was posted at churchofgodbigsandy.com for the weekend of December 2, 2023.

Compiled by Dave Havir

Luke 21:34-36—"But take heed to yourselves, lest your souls be weighed down with self-indulgence, and drunkenness, or the anxieties of this life, and that day come on you suddenly, like a falling trap; for it will come on all dwellers on the face of the earth. But beware of slumbering; and every moment pray that you may be fully strengthened to escape from all these coming evils, and to take your stand in the presence of the Son of Man" (Weymouth New Testament).

"Eye on the World" comment: This week's edition will be different than our normal format. Instead of our regular accumulation of over 300 headlines, we will post a long excerpt (from chapters 1-10) from a book titled "The Great Taking" that was written by David Roger Webb. The material involves the author's view of some history leading up to the current status of the banking industry. While we hope that he had overstated his concerns, we believe that the material may be helpful to people who are interested in reading about the banking industry.

https://peakprosperity.com/wp-content/uploads/2023/11/The-Great-Taking.-David-Rogers-Webb-1699078517.7043.pdf

I. Introduction

What is this book about? It is about the taking of collateral, *all* of it, the end game of this globally synchronous debt accumulation super cycle. This is being executed by long-planned, intelligent design, the audacity and scope of which is difficult for the mind to encompass. Included are all financial assets, all money on deposit at banks, all stocks and bonds, and hence, all underlying property of all public corporations, including all inventories, plant and equipment, land, mineral deposits, inventions and intellectual property. Privately owned personal and real

property financed with any amount of debt will be similarly taken, as will the assets of privately owned businesses, which have been financed with debt. If even partially successful, this will be the greatest conquest and subjugation in world history.

We are now living within a hybrid war conducted almost entirely by deception, and thus designed to achieve war aims with little energy input. It is a war of conquest directed not against other nation states but against all of humanity.

Private, closely held control of *all* central banks, and hence of all money creation, has allowed a very few people to control all political parties, governments, the intelligence agencies and their myriad front organizations, the armed forces, the police, the major corporations, and of course, the media. These very few people are the prime movers. Their plans are executed over decades. Their control is opaque. When George Soros said to me, “You don’t know what *they* can do,” it was these people to whom he referred. Now, to be absolutely clear, it is these very few people, who are hidden from you, who are behind this war against humanity. You may never know who they are. The people you are allowed to see are hired “face men” and “face women.” They are expendable.

One might seek comfort in thinking that this must be crazy; nothing like this has ever happened before . . . but it has. The precedent for the intent, design and horrific execution of such a plan can be found by examining the early 20th century, the period of the great wars and the Great Depression. The proclaimed “Great Reset” now in progress, however, includes major innovations, which will allow unprecedented concentration of wealth and of power over humanity through deprivation. How might it come to pass that you will own nothing, as so boldly predicted by the World Economic Forum? It certainly is not about the personal convenience of renting.

With the collapse of each financial bubble and the ensuing financial crisis, a story is rolled out which should now be familiar to you. It goes like this: All of us are at fault. We just wanted too much, and we were living beyond our means. And now, our collective greed has caused this terrible global crisis. The “Authorities”, the “Regulators” had struggled mightily to protect us from our own “animal spirits”, their great and elaborate efforts having been demonstrated through decades of work. Despite their good intentions, however, they failed, and can’t be blamed (or prosecuted) for that. After all, we are all to blame. In any case, let’s look forward. The financial system must be restarted, so that we can provide credit to you again, create jobs and get the economy growing, *whatever it takes*!

This time, what it will take is all of your property, or what you thought was your property. Here is your Central Bank Digital Currency deposited on your smart phone, so that you can buy milk. Noblesse Oblige!

Money is an extremely efficient control system. People order them-selves upon money

incentives, and thus difficult, dangerous and energy intensive overt physical control need not be employed broadly. But the money control system breaks down at the end of a monetary "super cycle", with collapse in the Velocity of Money (Velocity, or VOM). This is a multi-decade process.

Velocity is the number of times that a unit of currency is spent to buy goods and services in a period of time. This is measured by comparing the value of all goods and services produced in a period of time (Gross Domestic Product, or GDP), with the value of all cash and deposits which can be used nearly as easily as cash (Money Supply).

Velocity = GDP/ Money Supply. Thus, Velocity × Money Supply = GDP. Lower Velocity results in lower GDP.

Milton Friedman was an economist noted for the study of monetary history. In his book *A Monetary history of the United States, 1867-1960* [1], co-authored with Anna Schwartz, we find the following observation: "*[W]e know enough to demonstrate rather conclusively that ... velocity [of money] must have declined sharply from 1880 to World War I ...*"

Collapse in VOM is exactly what was unfolding from the 19th century and leading up to the Great War. Within a few years, the Russian, Austro-Hungarian, and Ottoman empires ceased to exist, as did the Qing Dynasty. The German economy was destroyed. Then followed the Great Depression, the Second World War, and the slow collapse of the British Empire. No populations were unscathed. There were no winners. Or were there?

While there was widespread deprivation, selected banking interests took the collateral of the thousands of banks which were forced to close, as well as of a great many people and businesses large and small—the indebted. In the U.S., gold held by the public was confiscated. But most importantly, closely held secretive private control of central banks and money creation was maintained, as was the aforementioned control over society's key institutions, including political parties, governments, intelligence agencies, armed forces, police, major corporations, and media.

The heirs to this control position have known for many decades that such a collapse in VOM would come again. They have been preparing. For them, it is an absolute imperative to remain in control through the collapse and "Great Reset"; otherwise they risk being discovered, investigated and prosecuted. They are not doing it for us. There is no noble purpose.

We are now living within a replay of this monetary phenomenon, i.e., a profound decline in VOM, which began when Velocity peaked in 1997. This was coincident with onset of a major global financial crisis, known as the Asian Financial Crisis, and it was followed within a few years by the Dot-Com Bubble and bust.

Throughout this period, I was managing long/short equity hedge funds, and I developed the

insight that the Federal Reserve was influencing the direction of financial markets (this was considered conspiracy theory, even by my partners). At that time, it was done through Open Market Operations conducted by the New York Fed using repurchase agreements on treasury securities.

I began, systematically, following the rate of growth in M3, the broadest measure of money at the time (which is no longer published). I studied what was unfolding incrementally, and I saw that in individual weeks new money created was more than 1% of annual U.S. GDP. This was when it first occurred to me that the Fed was getting less “bang for the buck”, in that GDP was not responding to money creation. This meant that the velocity of money was inverting, and that money growth was now much higher than any GDP growth. The money being created was not going into the real economy, but it was driving a financial bubble with no relationship to underlying economic activity. I understood this, not with hindsight, but in near real-time. If I could know it, Alan Greenspan and the people he worked for knew it, too. So why did they do it? If something does not make sense, it is necessary to change one’s perspective and aim for a larger understanding. Crisis do not occur by accident; they are induced intentionally and used to consolidate power and to put in place measures, which will be used later.

By the 4th quarter of 1999, when the Dot-Com Bubble was reaching extremes, I saw that the money supply was being increased at more than a 40% annual rate. I knew that this meant that the Velocity of Money was collapsing. Such a collapse occurs when the economy is not growing despite very high rates of money creation.

Please observe the extremely important chart in Figure 1.1, which was prepared by Hoisington Management. For once, one can see a true underlying determinant of the sweep of history.

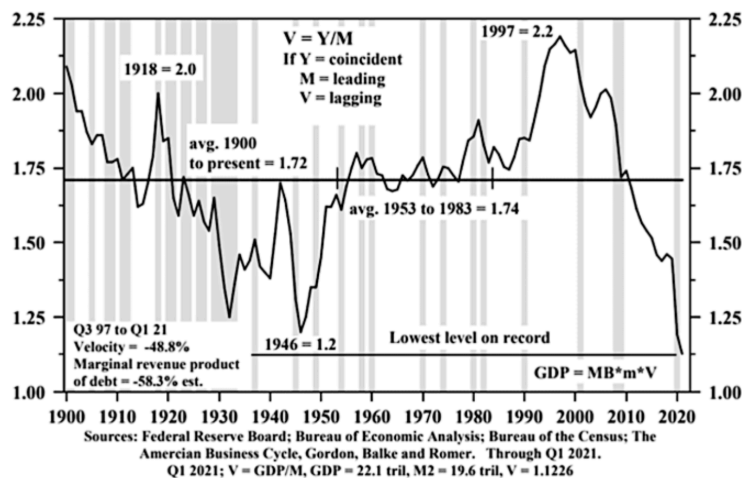

Figure I.1 Annual velocity of money, from 1900 to 2021. Source: Hoisington Management.

Profound decline in VOM lead to the Financial Panic of 1907, which was used to justify the establishment of the Federal Reserve System. The Federal Reserve Act was passed by Congress in the quiet days before Christmas, 1913. Archduke Ferdinand was assassinated six months later.

Following a brief recovery in VOM during the Great War, it collapsed further, leading up to the closure of banks and the confiscation of gold in 1933. VOM recovered somewhat into the Second World War, and then collapsed to a low in 1946, unprecedented until now.

VOM has now contracted to a lower level than at any point during the Great Depression and world wars. Once the ability to produce growth by printing money has been exhausted, creating more money will not help. It is pushing on a string. The phenomenon is irreversible. And so, perhaps announcement of the "Great Reset" has been motivated not by "Global Warming" or by profound insights into a "Fourth Industrial Revolution", but rather by certain knowledge of the collapse of this fundamental monetary phenomenon, the implications of which extend far beyond economics.

Something has been planned for us, but not for the reasons you have been given. How might we come to know something about the intentions of the planners? Perhaps, by examining their preparations?

II. Dematerialization

There are now no property rights to securities held in book-entry form in any jurisdiction, globally. In the grand scheme to confiscate all collateral, dematerialization of securities was the essential first step. The planning and efforts began over half a century ago. That there was some great strategic purpose behind dematerialization is evidenced by the fact that the CIA was assigned the mission.

The project leader was William (Bill) Dentzer, Jr., a career CIA operative. By his admission in his own written memoir [3], he started his career working to establish anti-communist student organizations in Europe with the backing of the CIA. The CIA had arranged his draft deferment. He was then specifically assigned to the CIA and worked there openly for five years. Subsequently, he was "transferred" from the CIA to the task force which created the Agency for International Development (AID). He became Special Assistant to the first head of AID, and thereafter Special Assistant to the U.S. Coordinator of the Alliance for Progress, which was active in Latin America. He was then appointed Executive Secretary of the Clay Committee, which lobbied for Congressional appropriations for AID. After three years as Director of AID in Peru, he was named Deputy U.S. Ambassador to the Organization of American States. He states in his memoir: "*Given events in the United States in the late 1960s, including the assassinations of Martin Luther King Jr. and Robert Kennedy, my interests had begun to shift from the international to the domestic front.*"

Then, strangely, even though he had no background in any aspect of banking or finance, he was appointed New York State Superintendent of Banks by Nelson Rockefeller. This came after his nomination to the newly-formed New York State Council of Economic Advisors by its Chairman, former head of the World Bank, Eugene Black. Interestingly, Black's father had been Chairman of the Federal Reserve in 1933. Within two years of assuming his position as New York State Bank Superintendent, Dentzer was named Chairman and CEO of the newly formed Depository Trust Corp. (DTC), a post he held for the next twenty-two years, i.e., through the entire process of dematerialization.

In the late 1960's, something called the Banking and Securities Industry Committee (BASIC) had been formed to find a solution to the "paperwork crisis." It seemed the burdens of handling physical stock certificates had suddenly become too great, so much so, that the New York Stock exchange had suspended trading some days. "Lawmakers" then urged the government to step into the process. The BASIC report recommended changing from processing physical stock certificates to "book-entry" transfers of ownership via computerized entries in a trust company that would hold the underlying certificates "immobilized." This trust company would develop the necessary computer and other systems. I happened to meet with network engineers of DTC forty years ago, in my first job out of school.

Was this "paperwork crisis" manufactured in order to provide an imperative for dematerialization? Consider that DTC did not begin operations until 1973, and that no significant degree of dematerialization was achieved for many years. However, somehow during this intervening period, stock exchanges continued to function, in spite of escalating trade volumes, without the elimination of certificates. Especially with the aid of computerization, it could be done, and was done.

DTC eventually became the model for the Central Securities Depository (CSD) and Central Clearing Counterparty (CCP), the purposes of which will be explained later.

III. Security Entitlement

The greatest subjugation in world history will have been made possible by the invention of a construct; a subterfuge; a lie: the "Security Entitlement."

Since their beginnings more than four centuries ago, tradable financial instruments were recognized under law everywhere as personal property (perhaps that is why they were called "securities"). It may come as a shock to you that this is no longer the case.

In order to convey to you what has been done, let me start with an analogy:

Let's say that you have purchased an automobile for cash. Having no debt against the vehicle, you believe that you now own it outright. Despite that, the auto dealer has been allowed by a

newly invented legal concept to treat your car as his asset, and to use it as collateral to borrow money for his own purposes. Now the auto dealer has become bankrupt, and your vehicle along with all of the others sold by the dealer are seized by certain secured creditors of the dealership, with no judicial review being necessary, as legal certainty was previously established that they have absolute power to take your car in the event of the bankruptcy of the dealer.

Now, to be clear, I am not talking about your car! I am illustrating the horror and simplicity of the lie: You are led to believe that you own something, but someone else secretly controls it as collateral. And they have now established legal certainty that they have absolute power to take it immediately in the event of insolvency, and not your insolvency, but insolvency of the people who secretly gave them your property as collateral. It does not seem possible. But this is exactly what has been done with all tradable financial instruments, globally! The proof of this is absolutely irrefutable. This is wired to go now.

Essentially all securities “owned” by the public in custodial accounts, pension plans and investment funds are now encumbered as collateral underpinning the derivatives complex, which is so large—an order of magnitude greater than the entire global economy—that there is not enough of anything in the world to back it. The illusion of col- lateral backing is facilitated by a daisy chain of hypothecation and re-hypothecation in which the same underlying client collateral is re- used many times over by a series of secured creditors. And so it is these creditors, who understand this system, who have demanded even more access to client assets as collateral.

It is now assured that in the implosion of “The Everything Bubble”, collateral will be swept up on a vast scale. The plumbing to do this is in place. Legal certainty has been established that the collateral can be taken immediately and without judicial review, by entities described in court documents as “the protected class.” Even sophisticated professional investors, who were assured that their securities are “segregated”, will not be protected.

An enormous amount of sophisticated planning and implementation was sustained over decades with the purpose of subverting property rights in just this way. It began in the United States by amending the Uniform Commercial Code (UCC) in all 50 states. While this re- quired many years of effort, it could be done quietly, without an act of Congress.

These are the key facts.

- Ownership of securities as property has been replaced with a new legal concept of a "security entitlement", which is a contractual claim assuring a very weak position if the account provider becomes insolvent.

- *All* securities are held in un-segregated pooled form. Securities used as collateral, and those restricted from such use, are held in the same pool.

• *All* account holders, including those who have prohibited use of their securities as collateral, must, by law, receive only a pro-rata share of residual assets.

• “Re-vindication,” i.e. the taking back of one’s own securities in the event of insolvency, is absolutely prohibited.

• Account providers may legally borrow pooled securities to collateralize proprietary trading and financing.

• “Safe Harbor" assures secured creditors priority claim to pooled securities ahead of account holders.

• The absolute priority claim of secured creditors to pooled client securities has been upheld by the courts.

Account providers are legally empowered to “borrow” pooled securities, without restriction. This is called “self help.” As we will see, the objective is to utilize all securities as collateral.

I assure you that this is not conjecture. You would be greatly mistaken in dismissing this as “conspiracy theory”, which is a common reaction to so much unpleasantness. It is possible to really know about this. The documentation is absolutely irrefutable.

In April of 2004, The European Commission Internal Markets and Services Director General proposed the “setting up of [sic] group of legal experts, as a specific exercise intended to address problems of legal uncertainty identified in the context of considering the way forward for clearing and settlement in the European Union”. This became the Legal Certainty Group.

Legal uncertainty sounds like a bad thing, and legal certainty sounds like a good thing. However, the objective was merely to make it legally certain that secured creditors would be empowered to immediately take client assets in a failure of a custodian.

In March of 2006, the Deputy General Counsel for the Federal Reserve Bank of New York provided a detailed response to a questionnaire prepared by The Legal Certainty Group, which was looking to the Fed to tell them exactly how to do it. The following are excerpts from that response, which is also included in full in this book’s appendix:

• Q (E.U.): *In respect of what legal system are the following answers given?*

• A (N.Y. Fed): *This response confines itself to U.S. commercial law, primarily Article 8 . . . and parts of Article 9, of the Uniform Commercial Code (“UCC”) . . . The subject matter of Article 8 is ‘Investment Securities’ and the subject of Article 9 is ‘Secured Transactions.’ Article 8 and Article 9 have been adopted throughout the United States.*

- Q (E.U.): *Where securities are held in pooled form (e.g. a collective securities position, rather than segregated individual positions per person), does the investor have rights attaching to particular securities in the pool?*

- A (N.Y. Fed): *No. The security entitlement holder . . . has a pro rata share of the interests in the financial asset held by its securities intermediary . . . This is true even if investor positions are 'segregated.'*

- Q (E.U.): *Is the investor protected against the insolvency of an intermediary and, if so, how?*

- A (N.Y. Fed): *. . . an investor is always vulnerable to a securities intermediary that does not itself have interests in a financial asset sufficient to cover all of the securities entitlements that it has created in that financial asset . . . If the secured creditor has "control" over the financial asset it will have priority over entitlement holders . . . If the securities intermediary is a clearing corporation, the claims of its creditors have priority over the claims of entitlement holders.*

- Q (E.U.): *What rules protect a transferee acting in good faith?*

- A (N.Y. Fed): *Article 8 protects a purchaser of a financial asset against claims of an entitlement holder to a property interest in that financial asset, by limiting the entitlement holder's ability to enforce that claim . . . Essentially, unless the purchaser was involved in the wrongdoing of the securities intermediary, an entitlement holder will be precluded from raising a claim against it.*

- Q (E.U.): *How are shortfalls [i.e. the intermediary's position with an upper-tier intermediary is less than the aggregate recorded position of the intermediary's account-holders] handled in practice?*

- A (N.Y. Fed): *. . . The only rule in such instances is that the security entitlement holders simply share pro rata in the interests held by the securities intermediary . . . In actual fact, shortfalls occur frequently due to fails and for other reasons, but are of no general consequence except in the case of the securities intermediary's insolvency.*

- Q (E.U.): *Does the treatment of shortfalls differ according to whether there is (i) no fault on the part of the intermediary, (ii) if fault, fraud or (iv) if fault, negligence or similar breach of duty?*

- A (N.Y. Fed): *In terms of the interest that the entitlement holders have in the financial assets credited to its securities account: regardless of fault, fraud, or negligence of the securities intermediary, under Article 8, the entitlement holder has only a pro rata share in the securities*

intermediary's interest in the financial asset in question.

That's how it works directly from "the horse's mouth", i.e., the most authoritative source possible—lawyers working for the Fed.

Further exposure of the purpose of the invention of the security entitlement can be found in a discussion paper concerning "legislation on legal certainty of securities holding and dispositions", prepared by the European Commission's Directorate General Internal Market and Services in 2012: *Where securities are concerned, the standard has always been that a custodian has to hold sufficient securities in order to meet all its clients' claims. In most EU jurisdictions, such a standard is guaranteed by giving investors ownership rights towards securities. Some markets, however, treat securities like money. The US and Canada based their law on the concept that investors do not own 'securities', but they own 'securities entitlements' against their account providers instead. The advantage of this concept is the potential increase in the amount of assets available as collateral, but critics view it as a threat to stability of the system, because the assets concerned are based on the same underlying resource. Concern has been voiced by market participants, regulators, central banks, and international institutions about potential collateral shortages . . . There is pressure to broaden the range of securities eligible as collateral. As a result of the demand for collateral, securities are increasingly regarded by market participants as a funding tool. These trends reinforce the market trends to treat securities like money . . . with significant implications for ownership. The risk of unauthorised use of clients' assets is increased by the employment of omnibus account structures. Omnibus accounts pool assets so that individual securities cannot be identified against specific investors. This works well until a bankruptcy occurs. If the account provider defaults, a client with a mere contractual claim becomes an unsecured creditor, meaning the client's assets are, as a rule, tied in the insolvency estate and it is obliged to line up with all the other unsecured creditors to receive its assets back. . . . [R]e-use of security interest collateral carries greater risk to the financial system because multiple counterparties may compete for the same collateral in default (so called 'priority contests').*

Clearly, the European Union Directorate General Internal Market and Services, fully knew the above in 2012.

In the next global financial panic, what are the chances that there will be much of anything remaining in these pools of securities after the secured creditors have helped themselves?

There will be a game of musical chairs. When the music stops, you will not have a seat. It is designed to work that way.

It is time to ask: *cui bono*? Who benefits? It is certainly not the citizens, who have lost their property rights, who have been betrayed in this deception by their own governments.

The reason given for this legislation on legal certainty is “demand for collateral” by “market participants.” They are not referring to you and me, the public. “Market participants” is a euphemism for the powerful creditors who control governments. They have worked for many years to establish their legal certainty worldwide.

IV. Harmonization

What was the purpose of seemingly out-of-control financialization? The threat of financial collapse, and the promise of continued financial profits have been used to herd the nations.

An imperative has been created that certain secured creditors must be given legally certain claims to client assets, globally, without exception, with the further assurance of near instantaneous cross-border mobility of legal control of such collateral. The global push for conformance to the U.S. model for achieving such legal certainty and mobility began in earnest more than twenty years ago in the aftermath of the dot-com bust. Financial instability and the threat of “collateral shortages” were used as justification. Deliberate efforts were sustained, globally, over many years. People were paid to do this, to betray the vital interests of their own people. It was done first in the U.S., and then demanded globally under the name of “harmonization”; perhaps the emphasis should be on “harm.”

The “Hague Convention on the Law Applicable to Certain Rights in Respect of Securities Held with an Intermediary” was drafted in 2002 and signed in 2006. It is an international multilateral treaty intended to remove, globally, legal uncertainties for cross-border securities transactions.

The Convention introduced a newly invented conflict-of-laws rule to be applied to security transactions, especially collateral transactions, namely the “Place of the Relevant Intermediary Approach” (or PRIMA). This was designed to avoid problematic national law, which might allow owners to recover their assets taken by a creditor as collateral, by setting the place of law in the account agreements with intermediaries.

One of the people most involved was James S. Rogers (perhaps a distant cousin of mine), who, according to his own biography [8]: *Served as one of the United States delegates to the Hague Conference on Private International Law project to negotiate and draft a Convention on Choice of Law for Securities Holding Through Securities Intermediaries and as a member of Drafting Group for that Convention.*

Interestingly, Rogers also notes that he had *served as Reporter (principal drafter) for the Drafting Committee to Revise UCC Article 8, which established a new legal framework for the modern system of electronic, book-entry securities holdings through central depositories and other intermediaries.*

Very few people were involved in the drafting of the 1994 revisions to articles 8 and 9 of the

UCC. A report by the Financial Markets Law Committee (a "charity" affiliated with the Bank of England) contains this illuminating quote [9]: *Professor Rogers, Reporter to the Article 8 1994 revision Drafting Committee, recalls how "at the outset of the Article 8 revision one could probably have counted on one hand—with a few fingers unused—the number of people among those appointed to the Article 8 Drafting Committee, or among the full membership of the sponsoring organisations that would ultimately have to approve the work of the Drafting Committee, who had any familiarity with either old [1978 version] Article 8 or the modern securities holding system.*

If Professor Rogers was one finger, Professor Egon Guttman was the other. As the author of *Modern Securities Transfers* [10], he was the foremost expert on security transfers and secured transactions under Articles 8 and 9 of the UCC. Professor Guttman passed away in 2021, and so, description of his activities are disappearing. But I have saved references to his work dating back to 2012: *Professor Guttman has been involved in the revisions of various Articles of the Uniform Commercial Code, and as a member of U.S. Department of State Working Groups in the drafting of conventions relating to international commercial transactions.*

And so, Harmonization of this regime giving control globally to a select group of secured creditors was pushed from the highest level of the U.S. government. The Department of State was the first administrative arm of the U.S. executive branch, with Thomas Jefferson becoming the first Secretary of State in 1789. It is the foremost executive power globally.

After years of effort, the Hague Securities Convention was signed by only the United States, Switzerland and Mauritius. The EU did not sign the Convention due to the identification of problematic European law, which assured property rights to the owners of securities in some jurisdictions. Europe has the ancient legal principle of *lex reisitae* (the law where the property is situated), and could not easily accept the work-around of "Place of the Relevant Intermediary Approach" (or PRIMA), invented in the Hague Securities Convention.

However, the manifest objective of providing legal certainty to creditors was not in dispute and was clearly accepted by EU authorities, as evidenced by Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements. This document, which was published roughly contemporaneously with the drafting of the Hague Securities Convention, contains the following statements: *In order to improve the legal certainty of financial collateral arrangements, Member States should ensue that certain provisions of insolvency law do not apply to such arrangements, in particular, those that would inhibit the effective realization of financial collateral . . . The principle in Directive 98/26EC, whereby the law applicable to book entry securities provided as collateral is the law of the jurisdiction where the relevant register, account or centralized deposit system is located, should be extended in order to create legal certainty regarding the use of such securities held in a cross- border context and used as financial collateral under the scope of this Directive.*

The objective of Legal Certainty for creditors was to be pursued by other means. Where they could not easily change problematic local law in which investors had property rights to securities, they structured around it. This is what lawyers, investment bankers, and, apparently, government officials are paid to do.

Euroclear is one of two European International Central Security Depositories (ICSD), the other being Clearstream. The Brussels office of Morgan Guaranty Trust Company of New York (Morgan Guaranty) founded the Euroclear System in December 1968. Morgan Guaranty began operating as JP Morgan in 1988.

In 2004, the Deputy General Counsel of Euroclear, Diego Devos, sent a memorandum with "Preparatory information regarding European Legal Harmonisation" to "DG Internal Market". Here are some excerpts: *This note describes Euroclear's recommendations with regard to the legal barriers that should be addressed as priority items by the Legal Working Group that the Commission intends to set up as a follow-up of its Communication on Clearing and Settlement in the European Union dated April 28, 2004 . . . In particular, we identify issues that complicate and prevent the full implementation of major initiatives that the market is undertaking on platform consolidation and harmonization. . . .Recommended . . . Removal or modification of requirements that do not recognise the multi-layer holding structure that is the norm in cross-border activity, including the following.*

- *Recognition in the EU of the pooled holding of registered assets through a nominee structure (and the different nature of legal and beneficial ownership) in order to keep registered securities on a fungible basis at local level and protection of the rights of the nominee;*

- *Elimination or modification of requirements that directly or effectively require the maintenance of individual records or accounts per beneficial owner . . .*

- *Recommended . . . Eliminate impediments to free use of collateral cross-border . . .*

Diego Devos went on to be appointed General Counsel of the Bank for International Settlements (BIS) in 2009.

As noted in the preceding chapter, in April of 2004, The European Commission Internal Markets and Services Director General proposed setting up a "group of legal experts, as a specific exercise intended to address problems of legal uncertainty identified in the context of considering the way forward for clearing and settlement in the European Union."

It took ten years of conniving, but in 2014 the way forward was made certain with the Central Securities Depository Regulation (CSDR).

I had arranged to speak at a hedge fund conference in Zürich in January of 2014 to warn the

"professionals" about the undermining of property rights to securities, and of the implications. I thought perhaps the tide could be turned in Europe. Believe it or not, this was in large part my purpose in moving to Europe. Prior to the conference, I had sent personal emails with the outline of my points to all of the attendees. While I was speaking, by the bright light of the projection screen, I could see that the eyes of the people in the room were as wide as saucers. When I finished, there was complete silence. In the coffee break that followed, I asked people what they had thought about what I had said. I asked if they understood what I was explaining. One person merely replied, "Oh, yes." I asked him what he would do about it. He simply said, "Nothing." I asked him why he would do nothing. His reply was, "My clients don't care about this." I said, "They don't care about it, because they don't know about it."

Six months later, the Central Securities Depository Regulation (CSDR) was implemented by the EU directive No. 909/2014.

A Central Security Depository (CSD) operates a book entry system for electronic settlement of trades and maintains a record of "ownership." An International Central Security Depository (ICSD) is linked to national CSDs, and it handles securities lending and collateral management. As noted by the European Securities and Markets Authority: *CSDR plays a pivotal role for post-trade harmonization efforts in Europe, as it enhances the legal and operational conditions for cross-border settlement in the EU.*

And thus, the desired goal of cross-border mobility of collateral has been achieved. How was that engineered?

CSDR provides for links between CSDs. National CSDs, which hold the record of ownership, are linked to the International Central Security Depositories; the transfer of legal title to customer collateral from the national CSD to the ICSD, and the use of customer collateral are thus enabled. The customer has "ownership" in the book-entry system of the national CSD, while the collateral is held in pooled form at the ICSD level. This allows the "cross-border services", i.e. the use of customer collateral. This is essentially the U.S. model, in which all custodians have accounts at DTC, which holds all securities in pooled form. DTC functions as an ICSD.

We will see how that has worked in looking specifically at Euroclear and developments in Finland and Sweden.

Once upon a time, Finland and Sweden had legal systems and national registries of securities ownership, which assured owners that their securities could not be used as collateral without express agreement. It had been possible to own and hold Swedish government bonds, for example, with absolute certainty that they could not be lost in an insolvency of a custodian. In 2006, the Legal Certainty group identified Sweden and Finland as having problematic law.

In 2008, Euroclear was allowed to acquire one hundred percent of Nordic Central Security

Depository (NCSD), which owned the central security depositories of both Finland and Sweden, Suomen Arvopaperikeskus Oy (APK) and VPC AB (VPC), respectively. These are now local CSDs linked to Euroclear Bank SA/NV which operates as an ICSD under Belgian law.

CSDR requires an account provider to publicly disclose the levels of protection and costs associated with the different levels of segregation of securities accounts at the central securities depositories. Skandinaviska Enskilda Banken AB (SEB) makes such a disclosure with respect to central securities depositories in Sweden, Denmark, Finland, Norway, Euroclear Bank SA/NV and Clearstream Banking S.A. [15].

Here are the shocking key passages from that disclosure: *In the unlikely event of a shortfall of securities the client in question will not be able to claim a right of separation but will likely be considered as an unsecured creditor without priority to the assets of the bankruptcy estate. In the case of securities held at Euroclear Bank SA/NV Belgian law (the Royal Decree no 62) applies provisions following the principal that all securities deposited by Euroclear Bank SA/NV participants (i.e. SEB) with Euroclear Bank SA/NV are deposited on fungible basis. By virtue of the Royal Decree, Euroclear Bank SA/NV participants have been given by law a co-ownership right of an intangible nature on a pool of book-entry securities of the same category held by Euroclear Bank SA/NV on behalf of all Euroclear Bank SA/NV participants having deposited securities of the same category. The said Decree provides for a loss sharing provision for the underlying clients of a Euroclear Bank SA/NV participant in case such Euroclear Bank SA/NV participant goes into default. Furthermore, Belgian law gives the National Bank of Belgium privilege over Euroclear Bank SA/NV's own proprietary securities to cover e.g. a situation where securities that are held by Euroclear Bank SA/NV with any depositary on behalf of its participants are not enough to cover the actual holdings of such securities by the participants.*

Thus, over a period of six years, property rights to securities in Sweden and Finland were deliberately subverted. These countries went from having the strongest property rights to securities to having no property rights to securities beyond an artificial appearance of ownership.

In 2014, coincident with the EU directive on central securities depositories, shocking changes were made to Swedish law. Very few know about this, other than the people who did it.

I tracked this down through a cryptic reference in a Euroclear document, *General Terms and Conditions Account Operations and Clearing*. Buried in there, on page 38, is the following clue: *14.2 PREVAILING LAW RELATING TO THE DISPOSAL OF VPC ACCOUNTS AND FINANCIAL INSTRUMENTS REGISTERED IN A VPC ACCOUNT — The real right consequence of disposals relating to VPC accounts and financial instruments registered in VPC accounts are governed by the provisions in Chapter 6 of LKF.*

This quote refers to Sweden's law on central security depositories and accounting for financial instruments. Chapter 6 of this law is titled, in translation, "Legal effect of registration,

Presumption of ownership.”

Buried at the bottom of this chapter is found the further direction: *Special provisions on pledging of financial instruments are found in the Act (1991:980) on trading in financial instruments. [Särskilda bestämmelser om pantsättning av finansiella instrument finns i lagen (1991:980) om handel med finansiella instrument.]*

Within Act (1991:980), Chapter 3 is titled, “Disposal of financial instruments belonging to someone else” [Förfoganden över finansiella instrument som tillhör någon annan].

Now we are getting warm!

The first paragraph states that, “The intended disposal must be specified carefully.” That seems like a good thing, but it goes on to state the following: *The first paragraph does not apply if the company’s counterparty or the parties to an agreement in which the company participates is another company that is under the supervision of the Financial Supervisory Authority or a foreign company within the EEA that is allowed to run comparable activities in its home country and that is under the reassuring supervision of an authority or other competent body.*

This gives the local CSD legal authority, and broad latitude to pass legal control of customer assets as collateral to the ICSD without the knowledge or approval of the account holder.

The implementation of this is now so thorough that a Swedish citizen cannot hold Swedish government bonds in Sweden as property without exposure to insolvency of the account provider, the local CSD, or of the ICSD. The securities of Swedish citizens are certainly pooled with securities being used as collateral elsewhere.

I came to Sweden in 2009 in order to be able to hold Swedish government bonds in Sweden with property rights. I was able to do that using a VP konto (account) at Handelsbanken. However, following the legal changes made in 2014, Handelsbanken completely discontinued the VP konto structure, and offered clients only custody accounts.

SEB also discontinued its long-standing VP konto structure, which had assured direct ownership of specific securities, but then introduced something they called a Service VP konto, which is held with the local CSD, Euroclear Sweden. I called into SEB about this, and was told that a VP konto specialist would call me. When I received the call, I asked two simple questions.

1. Are securities held in a Service VP konto specifically identified under the name of the account holder?

2. Can the securities held in a Service VP konto be revindicated in the event of the failure of SEB or of Euroclear.

The VP konto specialist put me on hold for a long time while he investigated my questions. When he came back, his answer was simply that, while there might be a small risk of failure of Euroclear, the account was insured for 250,000kr. He confirmed that holding of securities at Euroclear was the change made with the new Service VP konto structure, and he confirmed that there is a risk of loss of securities with the new structure. He seemed shocked himself to have learned this.

In 2011, a friend who had been a State Secretary in the Swedish government arranged for me to meet with the Minister and the State Secretary for Financial Markets. I was so moved when I received the email in forming me of this, tears came to my eyes; it gave me hope that in Sweden it might be possible to make a difference, and thus to turn the tide somewhere. I am forever grateful to them for that meeting; such a thing would never be allowed in the land of my birth. They heard me out about the implications of conforming to the U.S. model, and did not disagree. They said it might be possible to avoid this if the Germans would stand against it, the implication being that little Sweden could not do it alone.

The juggernaut rolled on. We are all in its path.

V. Collateral management

Associated with the imperative that certain secured creditors must be given legal certainty to client assets, globally, without exception, is the further assurance of near instantaneous cross-border mobility of legal control of such collateral.

As we will see, the objective is to utilize all securities as collateral, and hence to have the real practical means to take all securities as collateral. Comprehensive "collateral management" systems have been implemented, which assure the transport of all securities cross-border through the mandated linkage of CSDs to ICSDs and on to the CCPs, where the risk of the derivatives complex is concentrated. The supposed "demand" for this enormous undertaking is not being driven by true market forces, but by regulatory contrivance.

A report published in 2013 by the Committee on the Global Financial System at the Bank for International Settlements entitled *Asset encumbrance, financial reform and the demand for collateral assets* states the following: *Regulatory reforms and the shift towards central clearing of derivatives transactions will also add to the demand for collateral assets. But there is no evidence or expectation of any lasting or widespread scarcity of such assets in global financial markets.*

Another report by the same committee, entitled *Developments in collateral management services*, states (on page 16): . . . *some changes that may raise demand for collateral have not been phased in yet, since jurisdictions operate on different time- lines for mandatory central clearing and margin requirements for non-centrally cleared trades. Multiple market participants*

noted that implementation of mandatory clearing requirements has not yet advanced to the point where those market participants are experiencing shortfalls in collateral readily available to pledge . . . Motivated by expected increases in demand for collateral stemming from regulatory changes . . . collateral management ser- vice providers are evolving their service offerings in an effort to improve efficiencies and enable market participants to meet collateral demands with existing and available securities.

Thus, while there was no evidence of scarcity of collateral and market participants were not experiencing shortfalls, "demand for collateral assets", was being artificially created and intensified by regulatory fiat. It was absolutely not market-driven.

This was designed and deliberately executed to move control of collateral to the largest secured creditors behind the derivatives complex.

Derivatives are financial contracts on everything imaginable and even unimaginable for most of us. They may be modeled on real things, but are not the real things themselves. They are un-tethered from physical reality . . . but can be used to take real things as collateral. This is the subterfuge, the endgame of it all.

On its pages 8-11, the cited report discloses the objectives of these collateral management systems, providing further confirmation that it is the linking of CSDs and ICSDs which provides cross-border mobility of collateral from the "collateral giver" to the "collateral taker" (yes, they really explicitly use those terms): *First, many of the largest custodians have implemented, or have plans to implement, a custodial platform that is global in nature. This will be a single system or set of connected systems that allows a customer a single view of all its available collateral held by the custodian, regardless of location. . . .The desired end goal of all these efforts is to get as close as possible to a single view of all available securities, regardless of where they are held, in real time. This aggregation of supply information is a necessary prerequisite for the efficient deployment of available securities to meet collateral obligations. . . .ICSDs enable their participants to obtain aggregate views on the entirety of the latter's securities holdings held with the ICSD, including securities held by ICSD participants via link arrangements.*

The report illustrates the relationships between the ICSD and its participants in a diagram, which is included below as Figure V.1 on page 31.

The text continues: *Diagram 5 [Figure V.1] illustrates the services available at ICSDs, whereby a customer (collateral giver) is a participant in the ICSD and holds its securities in the ICSD, including via link arrangements between the ICSD and local CSDs. The ICSD, as CMSP [Collateral Management Service Provider], having established direct or indirect (ie via a custodian participating in the local CSD) links with local CSDs, has information on and can*

access the entirety of a participant's securities for collateral management purposes.

At this point, the report clarifies in a footnote: *The entirety of a participant's securities includes the participant's securities that were issued and are held at the ICSD and the participant's securities that were issued and are held, via ICSD link arrangements, at a linked CSD.*

The report then turns to the role of the "collateral takers": *The collateral takers are also participants in the ICSD. Both the collateral giver and the collateral takers provide information to the ICSD as CMSP regarding collateral obligations. With this information, the ICSD runs its optimisation process and may automatically generate collateral allocation instructions for the collateral giver/takers based on the results . . . the ICSD will also process the movement of securities on the books of the ICSD, since counterparties included in the optimisation and allocation process are participants in the ICSD. If the collateral giver does not have sufficient securities in the ICSD environment, it can source collateral by . . . transferring securities from its own account at the linked CSD to its securities account in the ICSD with a free-of- payment (FoP) settlement occurring in the linked CSD.*

Note that transferral of the people's assets is to be made free-of- payment (FoP)! They meant not just "free mobility of collateral", but, quite literally, "free collateral." How nice!

Through collateral transformation, the objective is to utilize all securities as collateral: *As supply and demand dynamics for collateral continue to evolve, it is possible that efforts to make more efficient use of existing collateral will not be sufficient to fully satisfy individual obligations. If that is the case, some market participants may need to exchange available, but ineligible, securities for other securities that meet eligibility criteria in order to fulfill their collateral obligations. Undertaking transactions to achieve this outcome has been defined as "collateral transformation."*

Collateral transformation is simply the encumbrance of any and all types of client assets under swap contracts, which end up in the derivatives complex. This is done without the knowledge of the clients, who were led to believe that they safely owned these securities, and serves no beneficial purpose whatsoever for these clients.

And here it is! Here is the automated, market-wide sweeping of collateral to CCPs and central banks in a time of market stress: *In times of market stress, rapid deployment of available securities may be crucial in mitigating systemic issues. For instance, with better visibility of available securities and better access to them, firms may be better positioned to rapidly deploy securities to meet margin needs at CCPs in times of increased market volatility or to pledge to central banks in emergency situations to gain increased access to the lender of last resort. . . .The automation and standardisation of many operations related to collateral management . . . on a market-wide basis . . . may enable a market participant to manage*

increasingly complex and rapid collateral demands.

And so as we have seen here irrefutably, the objective is to utilize all securities as collateral and hence to have the real practical means to take all securities as collateral.

Comprehensive "collateral management" systems have been implemented which assure the transport of all securities cross-border through the mandated linkage of CSDs to ICSDs to the CCPs (where the risk of the derivatives complex is concentrated), and on to the anointed secured creditors which will take the collateral when the CCPs fail, having assured for themselves that their taking of assets cannot be "legally" challenged.

Inevitably following the "Everything Bubble" will be the "Everything Crash." Once pieces of essentially everything crash and all financial firms rapidly become insolvent, these collateral management systems will automatically sweep all collateral to the Central Clearing Counter-parties (CCPs) and Central Banks.

The trap, into which all nations have been herded, is ready and waiting to be sprung. There will be an epic end point to the decades of seemingly out-of-control financialization, which served no beneficial purpose for humanity, but the devastating effects of which are apparent even now. It has been a deliberate strategy executed over decades. This was the purpose of inflating the global bubble entirely out of proportion with any real world thing or activity, which must end in disaster for so many, with no pockets of resilience allowed to remain in any country.

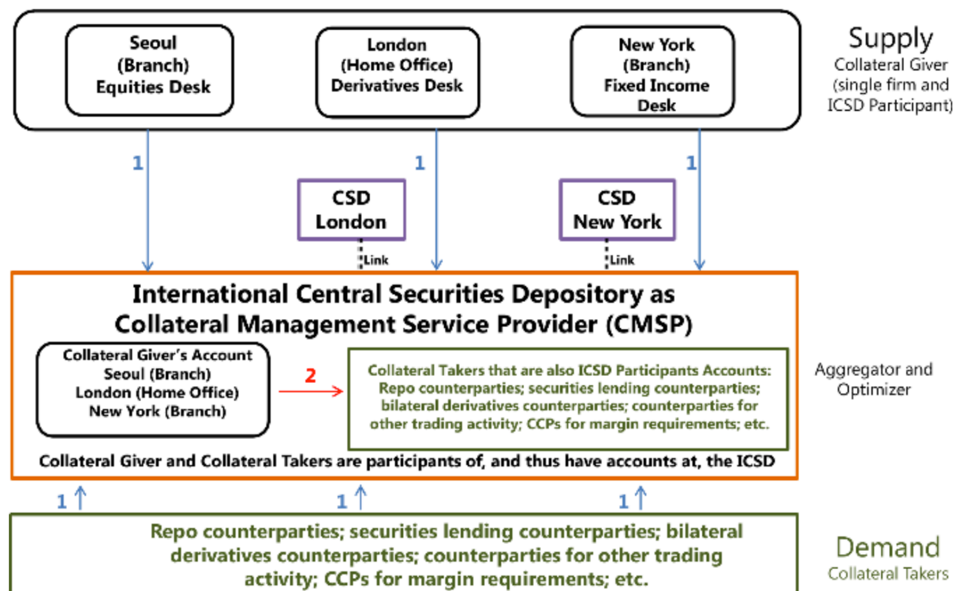

Figure V.1 Multiple jurisdictions, ICSD as collateral management service provider with links to other CSDs. Adapted from Diagram 5. Explanations provided in the original: Link = The ICSD has direct or indirect links with other CSDs. Securities held by ICSD participants via these link

arrangements are included in the respective collateral pool of the ICSD participant and available to the ICSD as CMSP.

1 = The collateral giver and collateral takers send notification to the ICSD regarding their triparty transactions.

2 = The ICSD will determine the optimal use of available securities and generate the underlying collateral allocation instructions; collateral transfer is settled on the books of the ICSD.

VI. Safe Harbor for Whom, and from What?

In 2005, less than two years before onset of the Global Financial Crisis, "safe harbor" provisions in the U.S. Bankruptcy code were significantly changed. "Safe harbor" sounds like a good thing, but again, this was about making it absolutely certain that secured creditors can take client assets, and that this cannot be challenged subsequently. This was about "safe harbor" for secured creditors against demands of customers to their own assets.

Here are some explanatory excerpts from the online article *The Effect of the new Bankruptcy Code on Safe Harbor Transactions*: *On October 17, 2005, the provisions of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (the 2005 act) became effective, amending various provisions of the U.S. Bankruptcy Code . . . Of particular significance are the provisions of the 2005 act that address the bankruptcy treatment of various "safe harbor" transactions, such as forward contracts, commodity contracts, repurchase agreements and securities contracts.*

Historically, under U.S. Bankruptcy Code, a bankruptcy trustee could avoid transfers, i.e. force disgorgement or repayment, if the transfer was 'constructively fraudulent' ,i.e. less than 'reasonable equivalent value' was received and the debtor in bankruptcy was one of the following.

- Was insolvent

- Became insolvent as a result of the transfer

- Was engaged in business for which the debtor had unreasonably small capital.

- Itentionally incurred debt beyond his ability to pay, or – made such transfer to or for the benefit of an insider.

- Or the transfer was made within 90 days of a bankruptcy filing (one year if the transferee was an insider). Transfers that meet any of the above criteria are referred to as 'preferences',

'preference transfers', or 'preference liabilities.'

So now, with the new "safe harbor" provisions, the transfer of customer assets to creditors previously considered to be fraudulent can no longer be challenged. That was exactly the point. Further, it is now quite OK for the transfer of the public's assets to be made free-of-payment (FoP), as there is no requirement to show that reasonably equivalent value was received.

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Below are some excerpts from his book *The Bankruptcy Code Without Safe Harbors. Following the 2005 amendments to the Code, it is hard to envision a derivative that is not subject to special treatment.*

• *The safe harbors cover a wide range of contracts that might be considered derivatives, including securities contracts, commodities contracts, forward contracts, repurchase agreements, and, most importantly, swap agreements. The latter has become a kind of 'catch-all' definition that covers the whole of the derivatives market, present and future . . .*

• *A protected contract . . . is only protected if the holder is also a protected person, as defined in the Bankruptcy Code. Financial participants—essentially very large financial institutions—are always protected.*

• *The safe harbors as currently enacted were promoted by the derivatives industry as necessary measures . . . The systemic risk argument for the safe harbors is based on the belief that the inability to close out a derivative position because of the automatic stay would cause a daisy chain of failure amongst financial institutions.*

• *The problem with this argument is that it fails to consider the risks created by the rush to close out positions and demand collateral from distressed firms. Not only does this contribute to the failure of an already weakened financial firm, by fostering a run on the firm, but it also has consequent effects on the markets generally . . . the Code will have to guard against attempts to grab massive amounts of collateral on the eve of a bankruptcy, in a way that is unrelated to the underlying value of the trades being collateralized.*

The new safe harbor regime was cemented into case law with the court proceedings around the bankruptcy of Lehman Brothers. In the lead-up to the failure, JP Morgan (JPM) had taken client assets as a secured creditor while being the custodian for these client assets! Under long-standing bankruptcy law this would clearly have been a constructively fraudulent preference transfer benefitting an insider. And so, JPM was sued by clients whose assets were taken.

I will cite the following memorandum filed in defense of JPM by the law firm Wachtel, Lipton, Rosen & Katz, with the U.S. Bankruptcy court of the Southern District of New York: *The purpose of the safe harbors, from their inception, has been to promote stability in large and inherently unstable financial markets by protecting transactions in those markets from being disturbed during a bankruptcy. As explained in the legislative history of the original safe harbor, "the financial stability of the clearing houses, with often millions of dollars at their disposal, would be severely threatened by" exposure to avoidance claims; as well, actions to avoid margin payments made by clearing houses could set off a "chain reaction" of insolvencies among all other market participants, "threatening the entire industry."*

Now here is the decision of the court.

- *UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK In re: Chapter 11 Case No. 08-13555*

- *The Court agrees with JPMC that the safe harbors apply here, and it is appropriate for these provisions to be enforced as written and applied literally in the interest of market stability. The trans- actions in question are precisely the sort of contractual arrangements that should be exempt from being upset by a bankruptcy court under the more lenient standards of constructive fraudulent transfer or preference liability: these are systemically significant transactions between sophisticated financial players at a time of financial distress in the markets—in other words, the precise setting for which the safe harbors were intended. . . .*

- *The Court first must consider whether JPMC is eligible for protection under section 546(e). That subsection, like the safe harbors generally, applies only to certain types of qualifying entities. . . .*

- *JPMC, as one of the leading financial institutions in the world, quite obviously is a member of the protected class and qualifies as both a "financial institution" and a "financial participant.*

And so, only "a member of the protected class" is empowered to take customer assets in this way. Smaller secured creditors are not similarly privileged.

In the aftermath of the 2007-2008 Global Financial Crisis no executive was convicted of a crime for the use and subsequent loss of client assets. Quite to the contrary! The bankruptcy of Lehman Brothers was used to establish case law precedent that the "protected class" of secured creditors have an absolute priority claim to client assets, and that, potentially and practically, only they will end up with the assets.

VII. Central Clearing Parties

Central Clearing Parties (CCPs) take on counterparty risk between par- ties to a transaction and provide clearing and settlement for trades in foreign exchange, securities, options, and most importantly derivative contracts. If a participant fails, the CCP assumes the obligations of the failed clearing participant. The CCP combines the exposures to all clearing members on its balance sheet.

Is there a risk that CCPs might fail?

Euroclear is an International Central Securities Depository (ICSD), which was designed to channel customer collateral to CCPs. In 2020, Euroclear published an article discussing the possibility of failures of CCPs *Regulating the risks of CCPs*, in which we find the following remarkable statements of panelists at Euroclear's Collateral Conference:

• *Regulators around the world have demanded more capital, more collateral and more clearing. And to a large degree they now have what they wanted. . . .*

• *And yet despite the huge efforts undertaken by market participants there are still two major concerns. The first is that financial regulations from different jurisdictions are not fully aligned with one another. And secondly that the risks in the financial systems have been concentrated into central clearing counterparties (CCPs). These two issues come together in the upcoming regulatory push to devise resolution and recovery regime for CCPs around the world. . . .*

• *The EU's push to create a recovery and resolution regime for CCPs . . . has also created tensions between the clearing houses themselves and their clearing bank and asset manager members, as to who should pay what in the event of a collapse of these critical market infrastructures. . . .*

• *But, for the EU-institutions, the redline [sic] is that if a CCP fails, then the taxpayer will not be expected to pay.*

The last paragraph is a subterfuge assuring that in the "resolution" the secured creditors will immediately take the underlying assets; that is the plan, i.e., nationalization must not be allowed.

The report goes on:

• *In whatever way the final text [of the regulation] is balanced, it does not detract from the fact that risk is now heavily focused within these institutions. One of the Euroclear panellists suggested that there is resistance to the ever-increasing march toward central clearing as it is a risk management function, and functions do occasionally fail.*

• *Indeed, just because CCPs have not failed in the past, there is nothing to say that there will not be a CCP crisis in the future. Panellists were concerned that with the small capital base CCPs currently have, any recovery and resolution of a failing CCP will involve direct clearing*

members standing up to support them through a number of difficult actions for the firms involved. . . .

- *One of the key requirements of the draft paper will be a requirement for the CCPs to undertake scenario planning. And for a CCP to fail, it will likely have been triggered by the simultaneous default of two major members. "If a large CCP is in trouble because of its members [sic] default, then we will be having a banking crisis" says Benoît Gourisse, Senior Director, European Public Policy at ISDA.*

In 2022, the Financial Stability Board (FSB) and the Committee on Payments and Market Infrastructures at the BIS published the report *Central Counterparty Financial Resources for Recovery and Resolution* , in which we find the following statements:

In November 2020, the Chairs of the FSB, the Committee on Payments and Market Infrastructures (CPMI), the International Organization of Securities Commissions (IOSCO) and of the FSB Resolution Steering Group (ReSG) publicly committed to collab- orate on and conduct further work on CCP financial resources in recovery and resolution. Such work would consider the need for, and develop as appropriate, international policy on the use, composition and amount of financial resources in recovery and resolution to further strengthen the resilience and resolvability of CCPs in default and non-default loss scenarios.

Under the subheading "System-wide and contagion effects and inter- connectedness", the same report states: *Because the scenarios were specific to each CCP, the results cannot be aggregated to simulate total losses at the level of the financial system for any particular scenario. Therefore, system-wide effects were not considered. The analysis did not take into account the underlying economic circumstances that could cause the simultaneous default of four clearing members at each of the seven CCPs, the likelihood of such circumstances, or the potential impact of the same clearing members defaulting in multiple CCPs. Neither did the analysis endeavour to model second and later order effects of the scenarios that might result in wider market stress, including potential increases in margin requirements, liquidity pressure and collateral scarcity. Finally, the analysis assumed that all non-defaulting participants continued to perform as they had committed to.*

Thus, this analysis provided by the "Financial Stability Board" of the BIS absolutely avoided contemplation of exactly what happens in a global financial crisis!

The Depository Trust & Clearing Corporation (DTCC) operates two CCPs, both of which have been designated in the U.S. as Systemically Important Financial Market Utilities (SIFMUs).

The following excerpts are from an article published by DTCC.

- *With three of DTCC's clearing agency subsidiaries declared as "systemically important*

financial market utilities" (SIFMUs), Pozmanter [the DTCC Head of Clearing Agency Services and Global Operations] said there has been significant effort and discussions this year to update the clearing corporations' and the depository's recovery and wind-down plans. . . . He asked panelist Stephen Pecchia, DTCC Managing Director, Recovery and Resolution office, about the updated wind-down rules as well as some of the changes to the clearing agency loss allocation rules.

• *"The Covered Clearing Agency standards require plans for orderly recovery and wind-down," Pecchia said. "We would seek to wind- down the failed entity and concurrently, shift our services to a third party that has either stood up within the DTCC enterprise or would be some other third-party acquirer. What will happen is essentially a transfer of services: there would be some assignment of assets, there would be service agreements put in place between the failed clearing agencies as well as between the DTCC holding company and this new entity." . . .*

• *"Hopefully this is something we will never have to do, but we do need to be prepared," he said. "As many of you know, what will drive this potentially happening may not be something we've seen historically—but the value comes in the planning."*

So, something which has not been seen before will drive the imperative to start up a new CCP, and they are planning for it to happen.

DTCC has provided a video clip titled *Perspectives on CCP Risk Management*, in which Murray Pozmanter makes the following statement: *We believe the level of capitalization of a CCP is a key component of its overall resiliency. CCPs must be sufficiently capitalized in order to withstand losses from both member default and non-member default loss events. In response to this, we have implemented a comprehensive capital framework to effectively measure and mitigate risk, and to support the resiliency of DTCC and our subsidiaries.*

What then is the capitalization of DTCC?

This is an excerpt from the DTCC's consolidated financial Statements as of March 2023: *The Depository Trust & Clearing Corporation (DTCC) is the parent company of various operating subsidiaries, including The Depository Trust Company (DTC), National Securities Clearing Corporation (NSCC), Fixed Income Clearing Corporation (FICC), DTCC ITP LLC (ITP), DTCC Deriv/SERV LLC (Deriv/SERV), DTCC Solutions LLC (Solutions (US)), DTCC Solutions (UK) Limited (Solutions (UK)), Business Entity Data, B.V. (BED); Collectively, the "Company" or "Companies."*

This is all of DTCC, consolidated, i.e., the whole enchilada.

As of March 31, 2023, the consolidated Total Shareholder's Equity was a tad over $3.5 billion

(that's with a "b").

Now realize that this is the entire capitalization underpinning the Central Security Depository and CCPs for the entire U.S. securities market and derivatives complex.

Contrast this with the cited statement: *We believe the level of capitalization of a CCP is a key component of its overall resiliency. CCPs must be sufficiently capitalized in order to withstand losses from both member default and non- member default loss events.*

This is one of the many open deceptions, which are unpleasant and in- convenient to see, and so, readily dismissed. Now recall these excerpts from the exchange between the Legal Certainty Group and lawyers for the Federal Reserve.

• Q (E.U.): *Is the investor protected against the insolvency of an intermediary and, if so, how?*

• A (N.Y. Fed): . . . *an investor is always vulnerable to a securities intermediary that does not itself have interests in a financial asset sufficient to cover all of the securities entitlements that it has created in that financial asset . . . If the secured creditor has "control" over the financial asset it will have priority over entitlement holders . . . If the securities intermediary is a clearing corporation, the claims of its creditors have priority over the claims of entitlement holders.*

So, there we have it. In the collapse of the clearing subsidiaries of DTCC, it is the secured creditors who will take the assets of the entitlement holders. This is where it is going. It is designed to happen suddenly, and on a vast scale.

There are some further relevant statements in the article *DTCC Details Risk Management Approach*:

• *Much of the debate recently has focused on whether CCPs should make larger contributions of their own capital to the loss allocation waterfall as a way to make sure that their risk management is prudent and that they had their own 'skin in the game.'*

• *An argument could be made that CCPs that are publicly traded may potentially not be aligned with the interests of owners and shareholders, who also used its services.*

• *"We felt it was very important to point out that this argument isn't applicable to DTCC's CCPs because in essence the source of our capital is our users," Pozmanter said. "We don't feel that putting an outsized portion of that capital at risk as part of our loss allocation waterfall would align our interests any better than they're already aligned with our owners and users. We look at that as a potential source of instability in a stressed market."*

He added.

* *"While we're in favor of having some of our capital in the loss waterfall, we think that having a very transparent methodology and a static percentage of our operating capital in the waterfall is what's most appropriate for us." . . .*

• *As for resolution procedures, DTCC is opposed to pre-funding the default loss waterfall, although it does support pre-funding the operating capital needed to get a new CCP up and running in the event of a default.*

• *"As we go through our recovery and resolution planning we want to have the operating capital pre-funded to potentially start up a new CCP in the event of the resolution of one of our CCPs," Pozmanter said. "We definitely see the logic in having the operating capital to start up a new CCP pre-funded."*

There you have it. The CCPs are designed to fail. They are deliberately under-capitalized. The start-up of a new CCP is planned and pre-funded. This construct assures that the secured creditors will take all collateral upon which they will have perfected legal control. The rule of law must prevail! We would have chaos otherwise! No one is above the law, after all!

As a reminder of the structure, here is an excerpt from the Wikipedia article on DTCC: *Most large U.S. broker-dealers and banks are full DTC participants, meaning that they deposit and hold securities at DTC. DTC appears in an issuer's stock records as the sole registered owner of securities deposited at DTC. DTC holds the deposited securities in "fungible bulk," meaning that there are no specifically identifiable shares directly owned by DTC participants. Rather, each participant owns a pro rata interest in the aggregate number of shares of a particular issuer held at DTC. Correspondingly, each customer of a DTC participant, such as an individual investor, owns a pro rata interest in the shares in which the DTC participant has an interest.*

With the explanation provided by the Federal Reserve Bank of New York (see Chapter III), you know what this means.

VIII. Bank Holiday

My Aunt Elizabeth had been ten years old when the banks were closed by executive order in 1933. When I asked her to tell me about the Great Depression, she said that suddenly no one had any money, that even wealthy families had no money and had to take their daughters out of private school because they could not pay the tuition.

I wondered why even these wealthy families could not send their children back to their schools after the banks were reopened.

The answer is that only the Federal Reserve Banks and banks selected by the Federal Reserve

were allowed to reopen.

"The Federal Reserve Banks," writes Allan Meltzer, "sent the Treasury lists of banks recommended for reopening, and the Treasury licensed those it approved." Meltzer's study *A History of the Federal Reserve* is considered the most comprehensive history of the central bank.

People with money in banks that were not allowed to reopen lost all of it. Their debts were not canceled, however; these were taken over by the banks selected by the Federal Reserve System. If these people could not make their debt payments—which was now likely, since they had lost their cash—they lost everything they had financed with any amount of debt, e.g., their house, their car, and their business.

Thousands of banks were never allowed to reopen. The grand facades of former bank buildings could be seen around Cleveland. There was such devastation of banks that a neighborhood Catholic church was built with massive stone columns salvaged from a bank building which had been demolished.

The Cleveland Trust Co. had grown through acquisition to become, by 1924, the sixth largest bank in the United States. As noted by The Case Western Reserve University Encyclopedia of Cleveland History, "The bank survived the Depression well." How was that possible?

It was selected by the Federal Reserve to consolidate debts. I had a finance professor who told the class that Cleveland Trust had run a systematic process of foreclosing upon and evicting many thousands of families from their homes in the greater Cleveland area. After these families were evicted from their homes, and their equity wiped out, they were offered the possibility of moving back into their former homes as renters, the advantage to Cleveland Trust being that these families would pay to keep the houses heated until they could be sold. Cleveland Trust did "well." How did my finance professor know about this? His family was one of those many thousands of families whose home mortgage had been taken over by Cleveland Trust.

Contrast this with the cheery image conveyed by William L. Silber, who was a member of the Economic Advisory Panel of the Federal Reserve Bank of New York. In his article *Why Did FDR's Bank Holiday Succeed?*, Silver writes: *Much to everyone's relief, when the institutions reopened for business on March 13, depositors stood in line to return their hoarded cash to neighborhood banks. Within two weeks, Americans had redeposited more than half of the currency that they had squirreled away before the suspension. The market registered its approval as well. On March 15, 1933, the first day of trading after the extended closure, the New York Stock Exchange recorded the largest one-day price increase ever. With the benefit of hind-sight, the nationwide Bank Holiday in March 1933 ended the bank runs that had plagued the Great Depression . . . Contemporary observers consider the Bank Holiday and the Fireside Chat the one-two punch that broke the back of the Great Depression . . . the speed with which the Bank Holiday Act reestablished the integrity of the payments system demonstrates the power of*

credible regime-shifting policies.

The Emergency Banking Act of 1933, had been passed by Congress on March 9, 1933, three days after FDR declared the bank holiday, with only a single copy available on the floor of the House of Representatives, and with copies being made available to senators as the bill was being proposed in the senate, after it had passed the house.

Was it successful? We are led to believe that the Bank Holiday was a brilliant scheme. Well it was—for some. It was enormously successful for those banking interests who took the assets and consolidated their power. It certainly demonstrated the power of "regime-shifting policies." We will see that it was not just about taking peoples homes and other stuff. As to ending the panic, perhaps that is not so difficult to do when you have fomented the panic.

In the Wikipedia article *The Great Depression* we find the following illumination of the Fed's odd behavior in the years leading up to the bank holiday: *The Monetarist explanation was given by American economists Milton Friedman and Anna J. Schwartz. They argued that the Great Depression was caused by the banking crisis that caused one-third of all banks to vanish, a reduction of bank shareholder wealth and more importantly monetary contraction of 35%, which they called "The Great Contraction." By not lowering interest rates, by not lowering rates and by not injecting liquidity into the banking system to prevent it from crumbling, the Federal Reserve passively watched the transformation of a normal recession into the Great Depression. The Federal Reserve allowed some large public bank failures— particularly that of the New York Bank of United States [in December, 1930]—which produced panic and widespread runs on local banks, and the Federal Reserve sat idly by while banks collapsed. Friedman and Schwartz argued that, if the Fed had provided emergency lending to these key banks, or simply bought government bonds on the open market to provide liquidity and increase the quantity of money after the key banks fell, all the rest of the banks would not have fallen after the large ones did, and the money supply would not have fallen as far and as fast as it did.*

This view was endorsed in 2002 by Federal Reserve Governor Ben Bernanke in a speech honoring Friedman and Schwartz with this statement: *Let me end my talk by abusing slightly my status as an official representative of the Federal Reserve. I would like to say to Milton and Anna: Regarding the Great Depression, you're right. We did it. We're very sorry. But thanks to you, we won't do it again.*

As this is "ancient history", it was safe for Bernanke to make such an admission. But more to the point, it would allow him to posture as the wise man who had studied the "mistakes" of the Federal Reserve, and then to justify the Fed's extraordinary measures to follow in the Global Financial Crisis.

Is the Fed indeed "very sorry"?

Can one believe the promise that “we won’t do it again”?

They have studied the lessons of the past in detail; however, their purpose has been to prepare a new and improved global version for the spectacular end of this debt expansion super-cycle. That’s what this book is about.

Contrary to the image of success, which has been handed down to us, the Bank Holiday did not end the Great Depression. There was no recovery which might have allowed people to service their debts and keep their property. Why was that? “Inexplicably”, the Federal Reserve kept conditions tight: *According to literature on the subject, the possible causes . . . were a contraction in the money supply caused by Federal Reserve and Treasury Department policies and contractionary fiscal policies.*

If that was a comprehensive program to assure there was no recovery, it worked quite well. Conditions remained broadly stressful for years, and they kept price levels down, so that people had no opportunity to sell assets for paying off debts. I know from family letters that, despite having no debts, times were quite tough. Grandma Webb wrote to her son (who was in a youth athletic program on an army base) about Grandpa Webb having been out trying to get any work for Webb Equipment. That was in 1936.

Contrary to the image of FDR as a savior, the people in my family who lived through the 30s considered FDR to be something like Satan himself, and they were not religious people.

Here is an interesting quote from Silber: *The Emergency Banking Act of 1933, passed by Congress on March 9—combined with the Federal Reserve’s commitment to supply unlimited amounts of currency to reopened banks—created de facto 100 percent deposit insurance.*

So according to William L. Silber, who was an economic advisor to the Federal Reserve Bank of New York, the Fed miraculously and suddenly in March of 1933 had the means “to supply unlimited amounts of currency to reopened banks”, which were, of course, only the banks selected by the Federal Reserve System.

Clearly, the Fed had the means all along to avoid the failure of those thousands of banks. A panic can be fomented easily when you run the system. They made it happen. They planned it, and then brought their solution after they got their regime-shifting policies in place.

The Federal Reserve System and the banks selected by the Fed were prepared to take things from people on a vast scale: their homes, their cars, and even their new electric appliances, which had been sold to them with the innovation of consumer credit. Did “the bankers” need to take this property? What was the real purpose? Can you get past the idea that they were trying to help? Even if we can, we are always led to think about this in a small way—that it is always about a

natural human greed for money and for material things. It was not then, and it is not now.

Ask yourself: if they don't want your money, and they don't really want or need your stuff, and they're not trying to help you, what do they want? What's the point of all of their efforts?

This may be difficult to hear: It was deliberate strategy. It was about ultimate, complete power, allowing no centers of resistance. And so, it was about deprivation. It was about subjugation—and it still is, in more ways than we know.

It was not about helping people then, and it's not about helping people now. It is all part of the same deliberate herding of humanity and elimination of any pockets of resilience, which plagues us still.

While Cleveland is now a crumbling city, it was a center of incredible prosperity in the 1920s. The Federal Reserve Bank building in Cleveland was completed in 1923, less than ten years after the signing of the Federal Reserve Act. The bank vault is the largest in the world, and it incorporates the largest hinge ever built. It seems they were preparing to put a lot of stuff in there, and for the possibility that there might be some stress about that. Perhaps it was not to be filled with refrigerators, washing machines, and toasters. There are machine gun turrets above the sidewalk on the street level.

There was a larger objective.

The preparatory work had been laid when the Federal Reserve System was secretly planned, and with the passage of the Federal Reserve Act in the quiet before Christmas, 1913. The Federal Reserve Act set up an inevitable logic that the Fed must take the gold of the public in a sufficiently major crisis, with the justification that credit could not be expanded otherwise.

This is exactly what is now set up to happen with all securities owned by the public, globally.

- Here is an important excerpt from the Wikipedia article on Executive Order 6102: *The stated reason for the order was that hard times had caused 'hoarding' of gold.*

- However, *the main rationale behind the order was actually to remove the constraint on the Federal Reserve preventing it from increasing the money supply during the depression. The Federal Reserve Act (1913) required 40% gold backing of Federal Reserve Notes that were issued. By the late 1920s, the Federal Reserve had almost reached the limit of allowable credit, in the form of Federal Reserve demand notes, which could be backed by gold in its possession.*

- The executive order to confiscate all gold owned by the public was made under the authority of the Trading with the Enemy Act of 1917, which had been enacted four years after the creation of the Federal Reserve.

- The act had been used to confiscate the property of interned natives of Germany, and more.

This is described by Daniel A. Gross in his article *The U.S. Confiscated Half a Billion Dollars in Private Property During WWI* , whose subtitle reads: “America’s home front was the site of interment, deportation, and vast property seizure.”

- Apparently all the U.S. public was now the enemy. Think about this. People who were simply protecting themselves and their families from the actions of the Federal Reserve System were accused of hoarding gold, and literally criminalized if they persisted in doing so.

- The rationale is incredible: You are hoarding gold, so we will take it and do what with it?

Hoard it! As we have seen, once they had taken the gold of the public, they did not then use the resource to expand credit. People remained in a debt trap. The deprivation continued and even worsened. That was real enough. The rationale, however, had been planned. It was a construct!

I asked my father why people had turned in their gold. He said that if you did not you were a criminal, but further, that there was nothing you would be able to do with it because you could not legally transport or sell it. So, essentially, the use and value of gold had been confiscated. This was certainly the case because it remained illegal for a U.S. person to own gold for more than forty years!

Here are some excerpts from Executive Order 6102:

- *All persons are hereby required to deliver on or before May 1, 1933, to a Federal Reserve Bank or branch or agency thereof or to any member bank of the Federal Reserve System all gold coin, gold bullion and gold certificates now owned by them or coming into their ownership . . .*

- *Whoever willfully violates any provision of this Executive Order . . . may be fined not more than $10,000, or, if a natural person, may be imprisoned for not more than ten years, or both . . .*

Note that the penalties were quite severe, and that all the gold was literally to be turned over to the Federal Reserve System. How nice!

Now we can see the purpose of constructing, in 1923, the largest bank vault in the world and a fortified building!

Perhaps gold will not be confiscated immediately this time around. Gold has not been targeted as the essential collateral backing as was the case under the Federal Reserve Act. In this go-round it is securities of all kinds, globally, which have been set-up as the collateral backing underpinning the derivatives complex. It is quite possible that the big banks have suppressed the price of gold by selling “paper” gold in subsidiaries, which will be allowed to fail, while accumulating physical gold in subsidiaries, which are designed to survive. This, however, does not assure that

you, as a member of the great unwashed, will be allowed to keep your gold, not if this juggernaut continues in motion.

I recall the words of my father, who had lived through all of this, “The only thing they can’t take from you is your education.”

Only the Federal Reserve System was designed to survive and take over all assets and banking activities. Only the Federal Reserve banks and those selected and controlled by the Federal Reserve were allowed to reopen. The Federal Reserve was also indemnified by the government (i.e., the public) for any losses.

And so, large-scale closure of banks and taking of bank deposits is not unprecedented. Holders of cash in banks are unsecured creditors with no enforceable claim to their money.

It has been promised that there will be no taxpayer bailout this time—as if that is a good thing. Why? Simply because this will allow the banks to be closed rather than nationalized. Then all deposits and assets will be taken by the “protected class” of secured creditors. This is where it is going.

Some wealthy people may think they will hide from this by keeping their money with the “too big to fail banks.” Perhaps it will seem that they have succeeded in this through the early stages of the banking crisis. However, this “regime shift” is designed to be all-encompassing.

The big banks are organized as holding companies with subsidiaries. The purpose of this structure is to legally separate risks. A subsidiary can be designed to take on liabilities, which cannot attach to assets in other subsidiaries or to the holding company. The weakened subsidiary can be separately bankrupted.

Ordinarily, the deposit-taking subsidiaries should be quite secure. But a strategy has been set up so that the deposit taking subsidiaries of the “too big to fail banks” can be separately bankrupted when the time comes. How can we know that?

The Fed has the power to give exemptions to any bank to move derivatives into deposit-taking subsidiaries, and it has done so. It has been tested, and on a large scale. Apparently it is easily and unilaterally done by the Fed by granting exemptions to Section 23A of the Federal Reserve Act.

Here are some excerpts from a Bloomberg News article from 2011:

- *Bank of America Corp., hit by a credit downgrade last month, has moved derivatives from its Merrill Lynch unit to a subsidiary flush with insured deposits, according to people with direct knowledge of the situation.*

- *The Fed has signaled that it favors moving the derivatives to give relief to the bank holding company . . . Bank of America's holding company—the parent of both the retail bank and the Merrill Lynch securities unit—held almost $75 trillion of derivatives at the end of June . . . About $53 trillion, or 71 percent, were within Bank of America NA, according to the data, which represent the notional values of the trades.*

- *That compares with JPMorgan's deposit-taking entity, JPMorgan Chase Bank NA, which contained 99 percent of the New York- based firm's $79 trillion of notional derivatives . . .*

- *Moving derivatives contracts between units of a bank holding company is limited under Section 23A of the Federal Reserve Act, which is designed to prevent a lender's affiliates from benefiting from its federal subsidy and to protect the bank from excessive risk originating at the non-bank affiliate, said Saule T. Omarova, a law professor at the University of North Carolina at Chapel Hill School of Law. . . .*

- *In 2009, the Fed granted Section 23A exemptions to the banking arms of Ally Financial Inc., HSBC Holdings Plc, Fifth Third Bancorp, ING Group NV, General Electric Co., Northern Trust Corp., CIT Group Inc., Morgan Stanley and Goldman Sachs Group Inc., among others . . .*

And here are excerpts from another article on the same subject:

- *Bank of America (NYSE:BAC) has shifted about $22 trillion worth of derivative obligations from Merrill Lynch and the BAC holding company to the FDIC insured retail deposit division. Along with this information came the revelation that the FDIC insured unit was already stuffed with $53 trillion worth of these potentially toxic obligations, making a total of $75 trillion.*

- *This all has the blessing of the Federal Reserve, which approved the transfer of derivatives from Merrill Lynch to the insured retail unit of BAC before it was done.*

- *This is not an isolated instance. JP Morgan Chase (JPM) is being allowed to house its unstable derivative obligations within its FDIC insured retail banking unit. Other big banks do the same.*

Keep in mind, when you see the scale of the derivative positions in these individual banks, that the size of the entire global economy was about $74 trillion in 2011. So individual banks had derivatives books the size of the entire global economy, and they moved them into their deposit-taking subsidiaries with the approval of the Fed.

Why has this been tested on such a large scale? It seems they are quite serious about something. Is the intent to make the deposit-taking subsidiaries safer? What is the real purpose?

Used at the appropriate time, this will assure the collapse of the deposit- taking subsidiaries of the "too big to fail" banks, allowing the taking of money comprehensively, including from

depositors in these deposit- taking subsidiaries, leaving essentially no money anywhere, and no pockets of resilience or of potential resistance. Meanwhile, in the chaos of the ensuing global wave of insolvencies, peppered with contrived existential threats, the "protected class" of bank holding companies and their subsidiaries designed for continuance will not only survive, but thrive, taking essentially all collateral. This will be put forth as an imperative, i.e., that they must survive and be strong for the sake of humanity, so that the system might begin again and we all might move forward. People will be desperate and simply want the terror to stop.

What fig leaf will depositors have to protect them from the "protected class"?

The Deposit Insurance Fund (DIF) of the Federal Deposit Insurance Corporation (FDIC) was $128.2 billion as of December 31, 2022. The FDIC is required to fund the DIF to 1.35% of insured deposits. The DIF can be exhausted, and indeed has been totally depleted twice—in the Savings and Loan Crisis and in the Global Financial Crisis. In these instances, the FDIC was allowed to borrow funds from the Federal Financing Bank. The FDIC has a line of credit with the Treasury for up to $100 billion. If this credit line were fully utilized, total resources would be $228 billion (roughly 2% of insured deposits). So, if the entire banking system is insolvent, "insured" depositors get 2 cents on the dollar. That will not go far in a widespread banking crisis, or if the deposit-taking subsidiary of a major bank is bankrupted, e.g., Bank of America and JP Morgan have over $2 trillion, and $2.5 trillion in deposits, respectively.

In Europe, Banking union was initiated in 2012 supposedly as a response to the "Eurozone crisis"; this has transferred responsibility for banking policy from the national level to the EU level in 21 countries. Sweden has thus far resisted pressure from it's own central bank to join the banking union; Denmark and Poland have signed but not yet ratified the treaty.

The objective, I believe, was to create a construct, the goal of which is preventing stabilization of banks through nationalization, based on the simplistic argument that, as the wind-down of the banks will be handled entirely privately, no tax-payer funds will be used.

Resolution powers over the captured banking systems, including around 3,000 banks and other financial institutions, have been conferred to a resolution authority, the Single Resolution Board (SRB), which will execute a Single Resolution Mechanism.

A Single Resolution Fund (SRF) will be used for the exercise of resolution powers. The SRF is composed of contributions from credit institutions and certain investment firms in the participating Member States within the Banking Union.

The SRF must, by law, reach the target level of at least 1% of covered deposits by December 31, 2023, at which time the deposit insurance regime is intended to be fully mutualised among the member states. The SRF is projected to be approximately €80 billion at that point. A revolving credit line from the European Stability Mechanism (ESM) will match the SRF, stepping up total

backing to 2% of covered deposits (approximately €160 billion), and thereby reaching harmonization with the level of 2% backing of deposits in the U.S.

The SRB is now aiming to capture and incorporate into the SRM the legacy national Deposit Guarantee Schemes (DGS). The SRB has a problem with something called Super Priority. In bankruptcy, super priority claims rank with or even above those of secured creditors. The SRB has stated that, "the super priority of DGS makes it de facto unrealistic to use DGS funds in resolution".

The SRB has further stated that "the SRB supports removing the DGS super priority and adopting a general depositor preference".

Why do they object to super priority for DGS? While these funds are quite small, with super priority, the funds used from national DGS would certainly be recovered from the assets of the bank, and thus could be reused. It would give the national DGS a seat at the table alongside the Senior Secured Creditors, potentially involving the state in each resolution process; the SRB absolutely does not want that. They are attempting to force agreement that these funds will be treated as a general depositor preference, which would put any such funds just ahead of unsecured creditors, but behind secured creditors. Practically speaking this means that the funds would not be recovered and would be wiped out in the first major failure. That seems to be the objective. Super priority is only for the "protected class." The public can only be allowed an appearance of protection.

The Single Resolution Board has directed the biggest banks to prepare for solvent wind-down (SWD). Again, that sounds like a good thing, but given the scale of the bubble, this cannot possibly mean the solvency of the entire banking system. I suggest that what this means is the preparation of certain portions of the biggest banks to remain solvent.

Here are some excerpts from the SRB memo *Solvent Wind-Down of Trading Books (Guidance for Banks, 2022)*:

- *All G-Sibs [globally systemically important banks] are expected to work on SWD planning as a RPC [Resolution Planning Cycle] 2022 priority.*

- *Other banks will be identified and approached in the course of 2022 following a further assessment of the significance of their trading books, to work on SWD planning as a RPC 2023 priority.*

- *G-Sibs are expected to prepare to plan and ensure that capabilities are ready to deliver "Day-1" expectations in 2022, while other banks approached in 2022 are expected to deliver on these in 2023.*

• *Banks should take all the necessary steps to ensure that all "Day-1" SWD-related expectations are implemented on time.*

Here are further excerpts from the SRB's *Work Programme 2023*:

• *The SRB's 2023 Work Programme is set against a backdrop of great uncertainty. While the start of 2022 saw economies beginning to emerge from the pandemic, 2023 will see added challenges, in part stemming from Russian aggression in Ukraine. Rising energy costs have led to double-digit inflation in many parts of the Banking Union. Now, more than ever, it is important we finalise the work on banking resolvability and ensure that all of the goals set out in the SRB's Expectations for Banks are met before the year is out. This was the initial target date and we are on track to meet it.*

• *The coming twelve months will see the SRB's focus moving from the more general phases of drafting and fine-tuning of resolution plans towards ensuring that each plan and preferred resolution strategy for each bank is implementable at short notice.*

• *At the same time, crisis preparedness needs to be further strengthened to equip the SRB with all tools needed to react to a looming crisis, implement a resolution scheme and manage any necessary restructuring of the bank.*

• *It is clear that more harmonised European measures are the way forward, rather than renationalising and weakening European financial stability tools.*

• *Nevertheless, there will always be losses when a bank gets into trouble. Resolution is not a miracle fix-all solution, rather it is about attributing and sharing the losses a bank suffers . . .*

• *The year 2023 will be the last of a transitional period for the establishment of the main elements of the resolution framework in the Banking Union.*

It seems that we are getting very close to show time!

An indication of the extreme seriousness of the powers-that-be can be seen in the SRB press release from 2022, *Principals of U.S., Euro- pean Banking Union, and U.K. Financial Authorities Meet for Regular Coordination Exercise on Cross-Border Resolution Planning*:

• *The heads of resolution, regulatory and supervisory authorities, central banks, and finance ministries of the United States, the United Kingdom, and the European Banking Union are among leaders participating in a Trilateral Principal Level Exercise on Saturday, April 23, 2022. The meeting is part of a series of regular exercises and exchanges among the principals of these key financial sector authorities to enhance understanding of each jurisdiction's resolution regime for global systemically important banks and to strengthen coordination on cross- border*

resolution.

• *This exercise builds on six prior cross-border principal level events going back to 2014, with the European Banking Union authorities joining in 2016.*

• *From the U.S., the participants are expected to include the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, the President of the Federal Reserve Bank of New York, the Acting Chairman of the Federal Deposit Insurance Corporation, the Chairman of the Securities and Ex- change Commission, the Acting Comptroller of the Currency, the Chairman of the Consumer Financial Protection Bureau, and the Chairman of the Commodity Futures Trading Commission. Participants from the European Banking Union include principals from the Single Resolution Board, the European Commission, and the European Central Bank. Participants from the United Kingdom include principals from HM Treasury and the Bank of England.*

This level of attention from the U.S. side is extremely unusual. I have never seen anything like this happen, let alone seven times in eight years. It's almost as if they are planning something quite serious.

The Atlantic Council is a think tank which "creates a meeting place" for heads of state, military and institutional leaders. It is a member of the Atlantic Treaty Association, an umbrella organization, which draws together political leaders, academics, military officials, and diplomats to support the North Atlantic Treaty Organization (NATO).

The focus of the Atlantic Council is military strategy, not economics. And what is the Atlantic Council focusing on now? Central Bank Digital Currency (CBDC), which is virtual money backed and issued directly by central banks.

The Atlantic Council has quite a nice CBDC tracker [47]. Here, one can see that, as of this writing, central banks in 114 countries representing 95% of the global economy are working on CBDC, that 11 countries have fully launched digital currency, that all G7 economies have now moved into the development stage of CBDC, and that 18 of the G20 countries are now in the advanced stage of development.

Why is this happening now globally? Is it really a desire to bring "financial inclusion" to the disadvantaged?

Why would The Atlantic Council, a military strategy think tank, focus on CBDC? We are living within a global hybrid war, a component of which will be the collapse of the banking, money, and payments systems globally.

War aims will be achieved by means other than kinetic war. The fore- most aim of the people

who have privately controlled the central banks and money creation is that they will remain in power, forever. They can risk no pockets of resistance.

Augustin Carstens is the general manager of the Bank for International Settlements (BIS). One can see the following comments of his, which have "gone viral", just after the twenty-four minute mark in the video of the virtual meeting titled *Cross-Border Payments—A Vision for the Future*:

- *We don't know . . . who's using a $100 bill today and we don't know who's using a 1,000 peso bill today. The key difference with the CBDC is the central bank will have absolute control on the rules and regulations that will determine the use of that expression of central bank liability, and also we will have the technology to enforce that.*

In other words: CBDC means absolute control.

And so, if the "old" money system somehow collapses, new money will be provided by the central banks in the form of Central Bank Digital Currency (CBDC), the new and improved control system.

Imagine . . . it is chaos. You have lost everything but your smart phone (If you don't have one, don't worry—you will be issued one.) You will download an app. You will click boxes agreeing to everything. You will become increasingly indebted with each payment you make using the CBDC you are "given" on your phone. You will be told what to do and what not to do from then on. You will comply if you want to eat.

IX. The Great Deflation

I went down to the Cleveland Public Library and paged through the old chart books of commodity prices and stocks stretching back into the 19th century. I found that, in the 1930s, all commodities, with the sole exception of gold, bottomed at the lows of the prior sixty years. Most public companies ceased to exist. They had gone bankrupt. The shareholders were wiped out. The assets were taken by the secured creditors, the banks selected by the Federal Reserve System.

Price levels did not recover for decades.

In 1923, Grandpa Rogers, the surgeon who had been in the first U.S. medical unit into the Great War, bought three housing lots in Shaker Heights, a new upscale suburb of Cleveland. These properties would have gone up in value through the 20's. In 1929, the stock market crashed. He was probably quite glad that he had not sold the lots and put the money into the stock market. In 1933, when the banks were closed, he was probably quite glad that he had not sold the lots and put the money in the banks. In 1952, three decades later, his widow finally sold the lots for one

third of what Grandpa Rogers had paid for them in 1923. This was not because Shaker Heights was economically depressed in 1952. Shaker Heights was, in the 1950's and into the early 1960's, statistically, the wealthiest suburb in the United States.

In 1905, my great, great grandfather's coal yard was valued in a bank appraisal at $126,000. A modern industrial building with heavy over- head hoists was built on the property in the 1920s by my grandfather; that became the site of Webb Equipment, the crane and hoist business. After my father's death in 1981, this property, with equipment and materials, was sold for less than $80,000. This was after three quarters of a century.

Further confirmation of the persistence of the deflation is found in this paper by Tom Nicholas and Anna Scherbina titled *Real Estate Prices During the Roaring Twenties and the Great Depression*:

- *Using unique data on real estate transactions, we construct nominal and CPI-adjusted hedonic price indices for Manhattan from 1920 to 1939. The CPI-adjusted index falls during the recession that followed WWI, rises to a local peak in 1926 and declines again following the collapse of the Florida real estate bubble. It subsequently recovers to reach its highest value in late 1929 before falling by 74 percent at the end of 1932 and hovering around that value until 1939. A typical property bought in the beginning of 1920 would have retained only 41 percent of its initial value two decades later.*

And this was Manhattan!

Consider that in the period from the 1920s into the 1950's (more than three decades), there was little recovery in price level. Think of the absolutely massive demand drivers present through those decades.

- Electrification and all it enabled (e.g., refrigeration, appliances of all kinds, industrial machinery)

- The automobile and the associated build-out of the highway system and suburbanization

- Telecommunications (telephone, radio, television)

- Air travel

- A global war, followed by the Korean War and Cold War arms race

- Population growth

The "inflation" we are now seeing is not due to strength in the global economy. The underlying intractable problem of our time is not inflation but deflation. The "inflation" is illusory; it is

created by massive devaluation of money and artificial scarcity (consider the implications of the Nordstream sabotage).

Perhaps you have heard of the “Everything Bubble.” What is it?

I will explain the horror of it simply.

Let’s take the example of a single bond with no fixed maturity date, i.e., a perpetuity. This bond pays a fixed annual dividend of $5. If the market rate of interest is 5%, this bond has a value of $100. If the Fed lowers interest rates such that the market rate of interest for this bond is now 1%, what happens to the value of the perpetuity? The fixed dividend of $5 remains unchanged. As 5 is 1% of 500, the value of the perpetuity goes up five-fold to $500. Now if the Fed increases market rates back to 5%, the value of the perpetuity paying a fixed dividend of $5 returns to $100, and hence, there is an 80% decline in value. It’s basic math.

The entire global financial complex is, essentially, a big perpetuity, i.e. a financial instrument with no fixed maturity date. The prices of all fixed income instruments are determined by interest rates, and all equity market and commercial real estate values are similarly driven.

The Fed created the “Everything Bubble” with the justification of fighting the Global Financial Crisis, which of course the Fed had also created, by lowering the Fed Funds Rate from 5% to near zero, and then keeping it near zero for most of the past 15 years. The Fed has now increased the Fed Funds Rate from near zero in April of 2022 to more than 5.00% in just one year.

That the decline in global financial and real estate markets will be massive, has been made certain. This cake is baked. The financial gains of the past 15 years have been an illusion. Some take comfort in thinking that the losses can be hedged in the derivatives market. If that is the case, the losses do not disappear. They are in the derivatives complex. Epic losses will be concentrated on the balance sheets of the CCPs, which, as we have seen, are designed to fail.

Some take comfort in saying that the Fed will lower rates again when they are forced to do so. Have you noticed that they are not lowering rates despite the first bank failures? This is just the beginning of such failures given the basic math explained above. The Fed is sharply increasing rates into economic weakness, and a banking crisis. This is exactly what was done in the Great Depression. And they are doing this with the bizarre and cruel justification of fighting wage growth!

When the “Everything Bubble” is imploded, we will face a deflationary depression, which will span many years, even decades. This coming Great Deflation is intrinsic to the Great Taking.

The Architects of the Great Taking have planned and prepared to use this dynamic fully, secure in their knowledge that, as night follows day, massive and prolonged deflation will certainly

follow the epic debt expansion super cycle, which they created.

The Architects have assured that they alone are positioned to take everything, and that you and your children are positioned on the other side of that, i.e., to lose everything, to be enslaved and even destroyed by it. People will be knocked down, and not be able to get up again. That is intentional, as the populace has been systematically encouraged to go deeply into debt. Whom the gods would destroy, they first cause to borrow at low rates of interest!

As in the Great Depression, prolonged deflation will assure that people who are in debt will not be able to make payments on their debts, let alone repay them. They will be trapped. All property and businesses financed with debt will be taken.

With profound and persistent deflation assured to stretch over many years, debt becomes a powerful weapon of conquest.

Debt is not a real thing. It is an invention, a construct designed to take real things.

It is instructive to look at the deeper meaning of the word, *debt*.

The root word is believed by etymologists to be an ancient Proto-Indo- European word, *ghabh*, meaning to give, to hold, or to receive. It is found, e.g., in the Sanskrit *gabhasti* (hand, forearm); the Latin *habere* (to have, hold, possess); the Old English *giefan* and Old Norse *gefa* (to give), and in the present-day Swedish *ger* (gives).

However, the Latin prefix, *de*, meaning to do the opposite, or undo, or take away totally and completely (think of the word, *defrost*), utterly negates this giving, having, or holding. Again according to the Online Etymology Dictionary [51], the Latin word *debere* means "'to owe', originally 'keep something away from someone,' from *de* 'away' + *habere* 'to have'." In medieval Latin, the meaning of *habere* was "goods, capital, investment".

The bottom line is that *debt* has for centuries had the function of dispossessing, of taking away property, capital and investments from someone.

We can plainly see in their deliberate preparations over decades to *take on a vast scale* that there will be no debt forgiveness. Ancient societies knew the practice of the debt jubilee, i.e. a comprehensive forgiveness of debts; it was enacted repeatedly in the interest of general human welfare. No debt forgiveness is intended now. But what purpose should the artificial constructs and institutions of society serve, if not human welfare? What must vitally concern each and all of us, if not human welfare?

The powers-that-be have designed an elaborate legal construct to pre- vent individual states from directing their central banks to create the money to protect the depositors. If many trillions can be created to bail out private banks, the same could certainly be done to bail out the depositors as

a social imperative. That it will not be done is a sign of the true intent—deprivation and subjugation.

This "Great Reset" is anti-human. It is intended to fix in place a system something like feudalism in perpetuity, in which the populace is held in a state of deprivation and fear with the empty promise of safety. Wake up! We have been living within a protection racket, in which the "protectors" terrorize the "protected." Those supposedly protecting us from the "bad guys" ARE THE BAD GUYS!

X. Conclusion

For his efforts in translating certain texts into the English of the day, William Tyndale was jailed in a castle just outside of Brussels, and then executed by strangulation, after which his body was burned at the stake.

Perhaps one might, at some point, come to question whether the "powers that be" are ordained of God. One can easily know that they conduct wars against innocent people. Curtis Lemay famously said: *There are no innocent civilians. It is their government and you are fighting a people, you are not trying to fight an armed force anymore. So it doesn't bother me much to be killing the so-called innocent bystanders.*

As a human being, should this not concern you? What part of the organized slaughter of vast numbers of innocent people can you find acceptable? Do you believe that you are special in some way, that you were being protected, or that you will be protected now?

There has been abundant evidence of great evil at work in the world, throughout time and in our present time. Do you really wish to be ignorant of its existence and operation?

There is an interconnectedness of all things. If you don't care about the obvious lies, the deaths of innocent children, the fire-bombings of cities, the suppression of dissent, the propaganda, the escalating terrorism, in which, quite strangely, innocent people are always and everywhere the target, sooner or later it is coming for you, or your children, or your grandchildren. If you know and you're not doing anything about it, or saying anything about it, it's time.

It's time to start connecting the dots, because they lead to you.

The wealthy assume that, because the system has allowed them to accumulate wealth, they will be protected in some way, that they are special. You are special. They're saving you for dessert.

You have been allowed to chase profits while the wellbeing and resilience of your people have been broadly and systematically eliminated. There are monsters under the stairs eating people alive. But you don't want to look under the stairs, because you want to keep using the stairs.

To not know is bad. To not want to know is worse.

Willful ignorance of the existence and operation of evil is a luxury even the wealthy can no longer afford.

We are in the grip of the greatest evil humanity has ever faced (or refused to acknowledge, as the case may be). Hybrid war is unlimited. It has no bounds. It is global, and it is inside your head. It is never-ending.

Nothing focuses the mind like an imminent hanging, or as Samuel Johnson originally said, "Depend upon it sir, when a man knows he is to be hanged in a fortnight, it concentrates his mind wonderfully." Hybrid war can be stopped. Stopping it begins in your mind.

During the Great War, Edward L. Bernays had worked with the Committee on Public Information to "sell" the war to the public. In 1928, he published his book *Propaganda*, in which we can read this statement on the subject:

Those who manipulate this unseen mechanism of society constitute an invisible government which is the true ruling power of our country.

The systematic psychological manipulation of society, begun with the evils of the Great War, has continued non-stop and has escalated to the point that we are now subject to full spectrum, continuous psychological operations.

Eighty-one years after the publication of Bernays' book, Chris Hedges wrote the following: *A public that can no longer distinguish between truth and fiction is left to interpret reality through illusion. Random facts or obscure bits of data and trivia are used either to bolster illusion and give it credibility, or discarded if they interfere with the message . . . When opinions cannot be distinguished from facts, when there is no universal standard to determine truth in law, in science, in scholarship, or in reporting the events of the day, when the most valued skill is the ability to entertain, the world becomes a place where lies become true, where people can believe what they want to believe. This is the real danger of pseudo-events and pseudo-events are far more pernicious than stereotypes. They do not explain reality, as stereotypes attempt to, but replace reality. Pseudo-events redefine reality by the parameters set by their creators. These creators, who make massive profits selling illusions, have a vested interest in maintaining the power structures they control.*

The people behind the wars have *never* been investigated and removed from power. They have continued in control of all central banks, and money creation, and have extended their control globally.

Certainly many who have abetted this are ignorant of the greater design. But the people behind

the wars are, quite literally, lying, thieving killers, and they know it. To say that there is much evidence of this is an understatement. Perhaps they have not killed innocent men, women and children with their own hands, but they have deliberately caused these deaths. That this is done with intent can be known through the persistence of their planning and actions over many decades. While the scale and audacity of this criminality seems unimaginable to us, nothing is unimaginable to them. Their criminality has now reached unprecedented and ultimate scale, as its aim is the subjugation of the entire globe and of all people.

Wars have always been not so much about taking things as about subjugation of populations on all sides. Vast destruction and death are acceptable to their planners. You might ask, how could the people plotting and executing such insane schemes be held together? I suggest that it has something to do with the binding power of shared guilt, of the criminal pact. The perpetrators are each and all are bound, whether explicitly or unconsciously, by evidence of shameful, treasonous acts committed against their own people. The commission of crime is a power totem among them. The more heinous the crime, the more powerful is the binding force.

In the past few years, you have been living within an escalating hybrid war. Globally, we have witnessed the following.

- Overt media control and propaganda campaigns
- Censorship, including arrests of people speaking in public
- Monitoring of all electronic communications and physical contact tracing
- Brutally enforced lock-down and masking requirements, with people being beaten, handcuffed and arrested, even in their homes
- Suspension of healthcare services and weakening of healthcare systems
- Invasive testing requirements for employment and travel
- Forced quarantine of travelers;
- Coerced quarantine and “vaccination” of the healthy, general population.

Governments dropped all pretence of democracy, and were emboldened to open despotism. There were no functioning checks on this power. The courts provided no effective recourse to the public.

Governments broadly abused fundamental human rights using as justification prevention of the spread of infectious diseases, which are, in truth, a great many, ever-present, and continually evolving. And so, this justification, if allowed to stand, affirms the end of democracy and the

continuation of openly despotic government.

Are you able to contemplate that this may have been about more than a virus?

We have witnessed designs and real attempts to exert physical control over every person's body, globally, and this is continuing. Why is this happening?

I will make a startling assertion. This is not because the power to control is increasing. It is because this power is indeed collapsing. The "control system" has entered collapse.

Their power has been based on deception. Their two great powers of deception, money and media, have been extremely energy-efficient means of control. But these powers are now in rampant collapse. This is why they have moved urgently to institute physical control measures. However, physical control is difficult, dangerous and energy-intensive. And so, they are risking all. They are risking being seen. Is this not a sign of desperation?

Where will they hide when they have all of the assets, when they have damaged all of humanity, and caused billions to awaken through suffering?

They promote the belief that they are all-powerful. They are not. All they have had is the power to print money. The rest, they have usurped from humanity.

Never before has a system benefitted so few at the great expense of so many. Is this not inherently unstable and unsustainable? Physical control, as opposed to rule by deception, requires enormous energy. Can this be sustained while destroying all economies, and abusing all people, globally? They do not know how to "build back better." Look at their footprint around the world—the destruction, the economic devastation. When it comes to the real world, they are exceptionally good at just one thing: fucking things up. Then they declare victory, and fix blame on others for the horrific damage done.

We were told by Hobbes that war is the natural state of man (Hobbes' patrons were "nobles").

But is war natural and inevitable?

How did humanity survive?

Think about it. Did humans survive by killing each other? It is oxymoronic! War is aberrant. 100% of human survival is based on cooperation. You cannot survive alone. You depend on everyone else, and everything else. That is sanity. That is reality.

All organizations promoting war are criminal organizations. The people behind them are mass murderers. The men and women orchestrating chaos in country after country are criminals of the

worst kind. The people following orders are not heroes; they are criminals.

The people controlling this system are quite obviously not benevolent. They are not noble. They are not elite. They are insane!

They are the antithesis of everything we could value, admire, and love. These people do not represent human development, or the future of humanity. They are lacking in essential human qualities. They are aberrant. Antipathy for humanity is aberrant. For 99.99% of human history, sociopaths like these would not have survived the next winter. Their nature was seen and they were ostracized from the village, to save the village.

They operate today through anonymity enabled by inhuman scale of social organization. Even so, this will not allow them to continue indefinitely. We have entered a time in which their nature is being recognized. Knowledge of their existence has become unavoidable. Their grasping will come to an end, because all of humanity cannot allow it to continue. Once it is recognized, humans will bond against a common existential threat. People from all walks of life will join in common cause. We have witnessed this already.

Their power structure can and must be dismantled non-violently. The "masterminds" will not yet be known. However, the individuals and organizations near the levers of power (monetary, media, government, "healthcare", military, police, legal, corporate), operating with criminal intent toward the mass of humanity, can be identified. The allegiances of these functionaries are unstable, driven by narrow self-interest. By directly and personally putting these people on notice that their actions are being documented, and subject to criminal prosecution, they may be impelled to decline further involvement. This process can be accelerated. It is not necessary to wake up the majority! We are not fighting the 1%, but the 0.01%. Even without mobilizing the majority, it is entirely possible to realize an enormous advantage of intelligent, capable, activated people.

If the people behind this Great Taking persist in their insane schemes, they will inevitably be found. It will be quite simple to follow the collateral to those who have arranged to take it. Perhaps they aren't such masterminds after all!

We will come to know who is behind this hybrid war against humanity. We will come to know who controls the Bank for International Settlements, the Federal Reserve System, and all central banks globally, and hence all political parties, governments, media, and armed forces. We will come to know who controls the CIA. And we will finally know who has been behind the assassinations. Let me close with John F. Kennedy's own words: *Our problems are man-made; therefore, they can be solved by man.*

Isaiah 55:6-11—"Seek you the Lord while He may be found, call upon Him while He is near. Let the wicked forsake his way, and the unrighteous man his thoughts; let him return to the Lord, and He will have mercy on him; and to our God, for He will abundantly pardon. 'For My thoughts are not your thoughts, nor are your ways My ways,' says the Lord. For as the heavens are higher than the earth, so are My ways higher than your ways, and My thoughts than your thoughts. For as the rain comes down, and the snow from heaven, and do not return there, but water the earth, and make it bring forth and bud, that it may give seed to the sower and bread to the eater, so shall My word by that goes forth from My mouth; it shall not return to Me void, but it shall accomplish what I please, and it shall prosper in the thing for which I sent it."