

Global Money Dispatch

The last time we looked in detail at foreign banks' New York branches was in 2017, right after prime money fund reform (see [Dollar Funding After the Storm](#)). Since 2017, we've been focusing mainly on U.S. banks' HQLA portfolios, as U.S. banks were the backstops to the repo market in the run-up to the pandemic, and U.S. banks have been the primary warehouse for the reserves the Fed has put into the U.S. banking system since the pandemic. The Fed's ban on buybacks ensured that U.S. banks had the balance sheet to carry all the injected reserves: they didn't have to deflect any inflows and so foreign banks couldn't absorb any unwanted reserves, as there weren't any. These dynamics changed in 2021.

First, we had a roughly \$1 trillion "downpour" of liquidity – an ongoing injection of reserves from QE and the decline in Treasury's cash balances due to stimulus – and second, that downpour coincided with the Fed lifting the ban on buybacks, which sapped U.S. banks' capacity to add reserves and deposits on the margin.

But one bank's constraint is another bank's opportunity...

...and like during the 2015-2016 period, many foreign banks jumped at the opportunity to absorb some of the excess reserves that came into the system: year-to-date, foreign banks have absorbed just over \$350 billion in reserves, with about a third raised through the o/n eurodollar market via prime money funds, and two-thirds raised through term unsecured markets – mostly through CP – from accounts other than prime funds (asset managers and securities lenders).

But unlike during the 2015-2016 period, foreign banks' capacity to warehouse reserves isn't limitless: more and more foreign banks are subject to daily average balance sheet reporting, or are getting ready to report their balance sheet that way, which reduces foreign banks' capacity to warehouse reserves. The heavy use of the o/n RRP facility tells us that foreign banks too are now chock-full of reserves.

The use of the facility has never been this high outside of quarter-end turns, and the fact that the use of the facility is this high on a sunny day mid-quarter means that banks don't have the balance sheet to warehouse any more reserves at current spread levels. From here, spreads will have to get even tighter to OIS for foreign banks to allocate more balance sheet to reserves, or, if they don't, the use of the o/n RRP facility will keep increasing as U.S. banks cherry-pick deposits by pushing low-quality deposits away into the facility via money funds, and add only higher-quality deposits, like Citibank and Wells Fargo have been.

The charts in today's Dispatch provide a detailed, pictorial review of the size of all foreign banks' total U.S. branch assets and total HQLA portfolios, and the balance sheet changes for the ten banks that took the most reserves this year.

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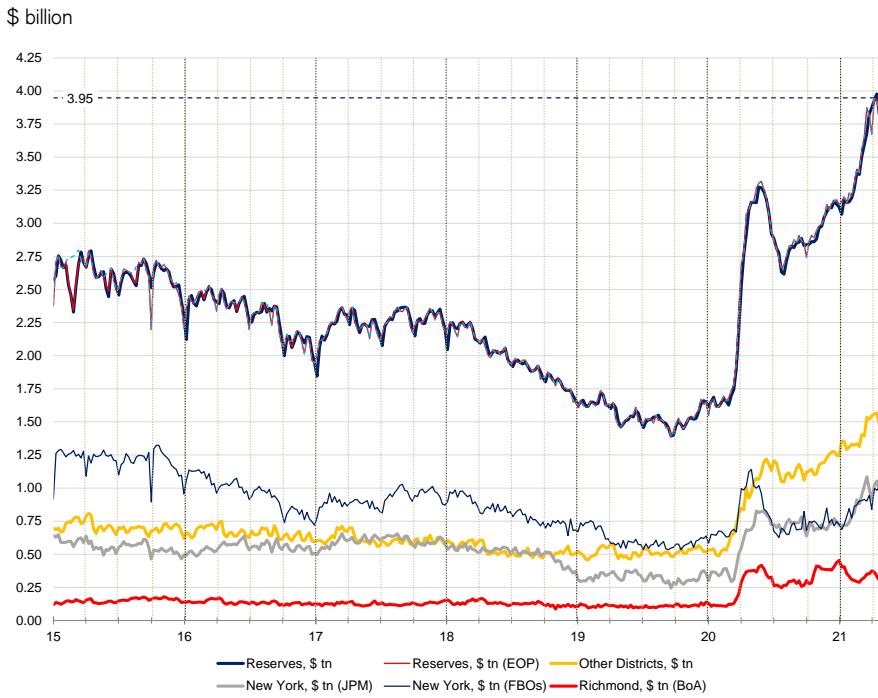
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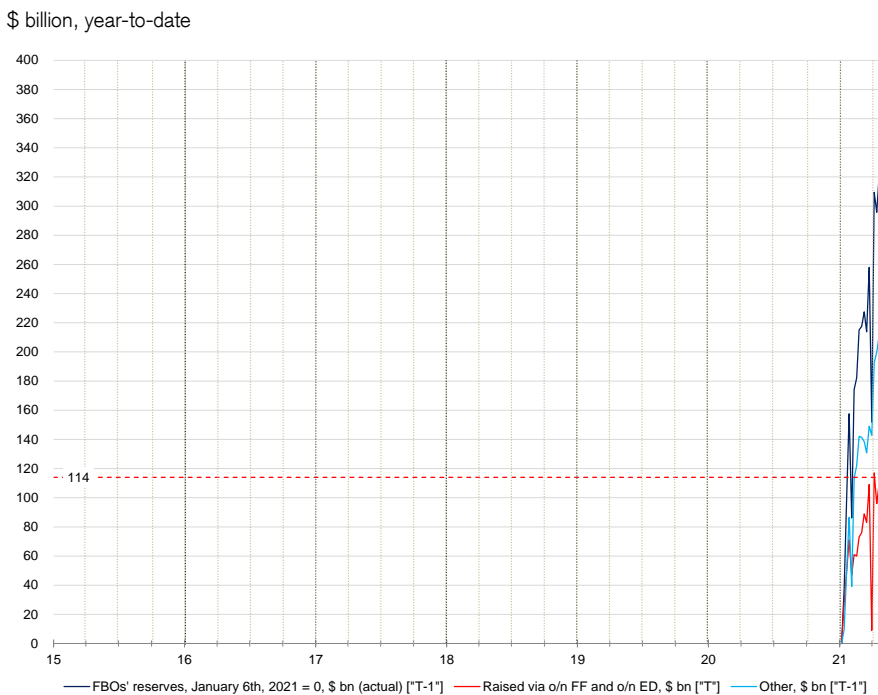
zoltan.pozsar@credit-suisse.com

[Weekly]: Foreign Banks' Reserve Balances Started to Increase Only This Year



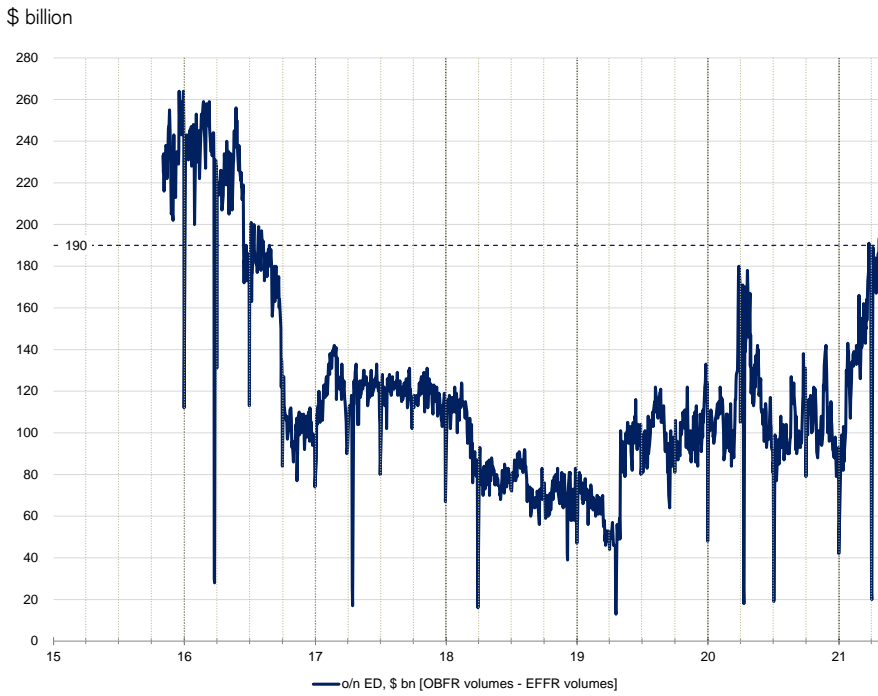
Source: Federal Reserve, Credit Suisse

[Weekly]: Foreign Banks' Reserve Balances and Their Funding Sources



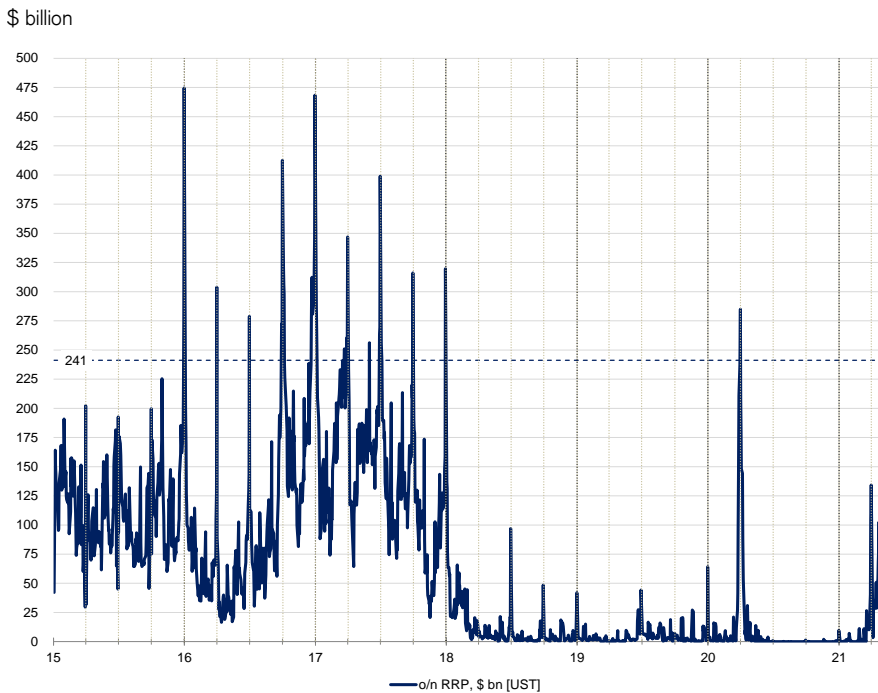
Source: Federal Reserve, Credit Suisse

[Daily]: o/n Eurodollar Volumes Are Up, but Not to the Level at Which They Were in 2016



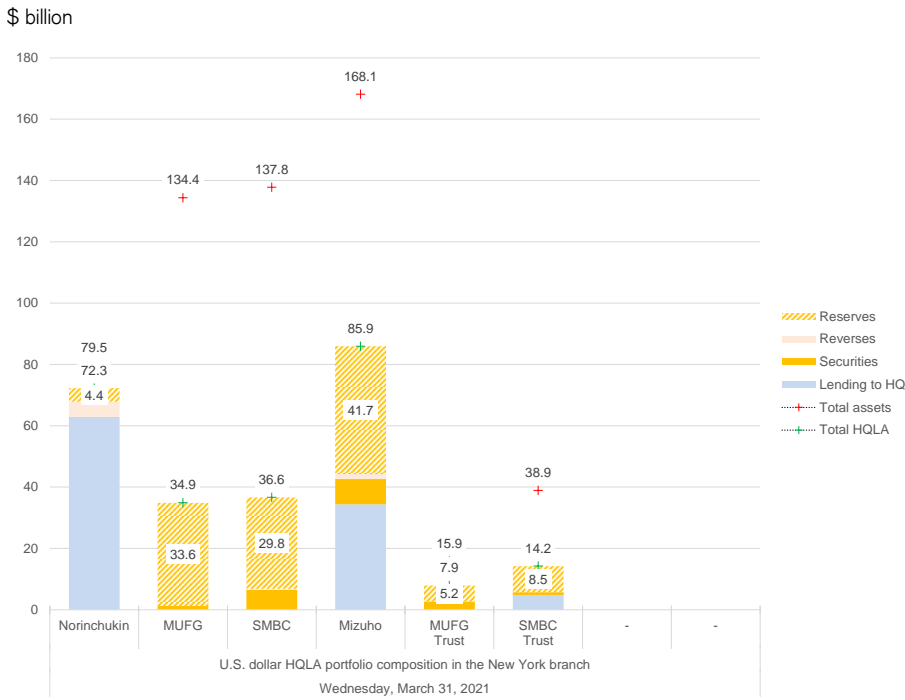
Source: FRBNY, Credit Suisse

[Daily]: o/n RRP Usage Was Never This High Outside Quarter-Ends



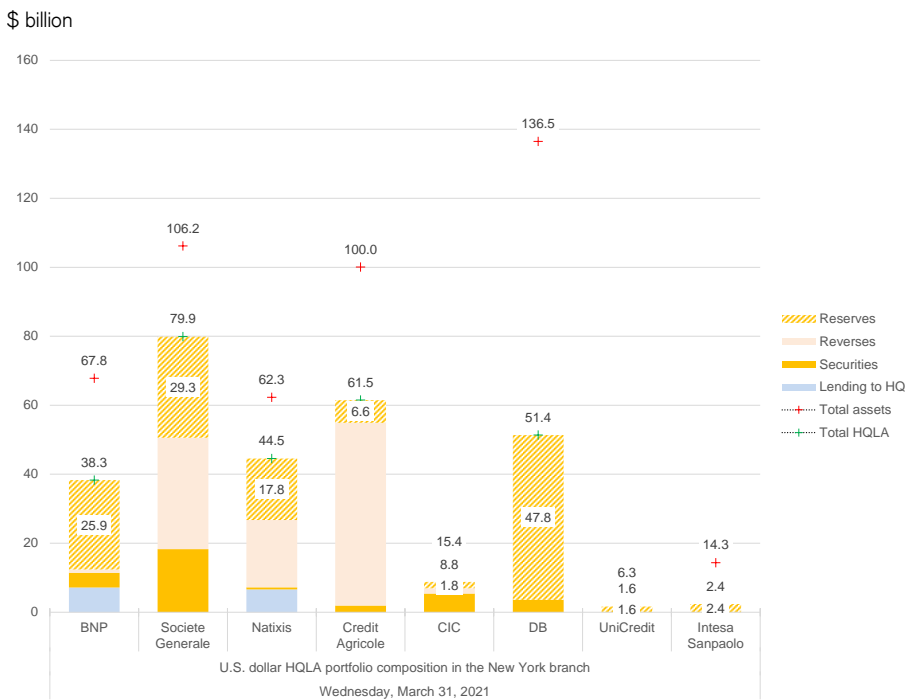
Source: FRBNY, Credit Suisse

[Quarterly]: Japanese Banks' New York Branches



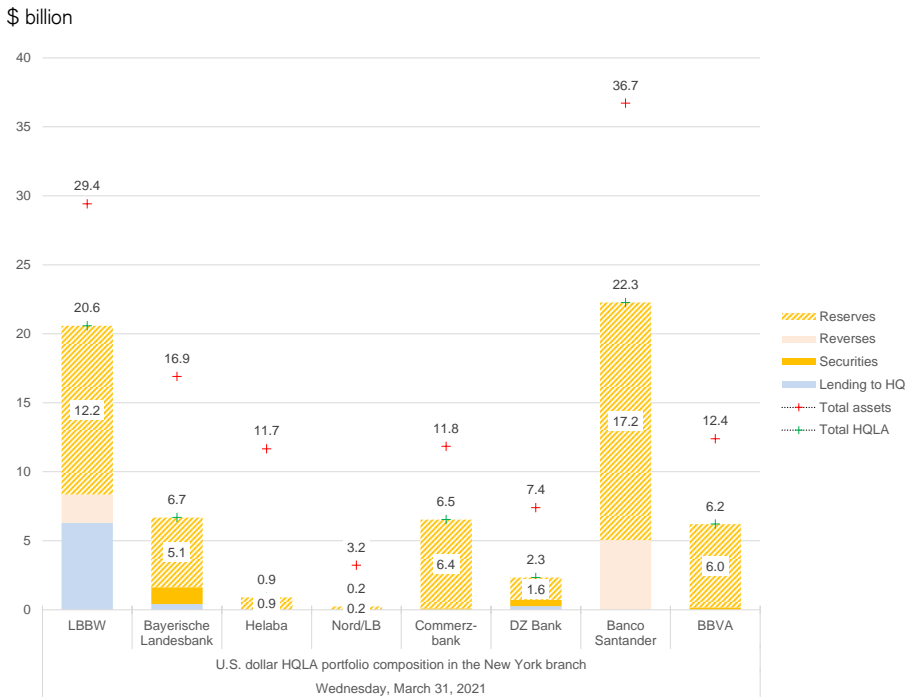
Source: FFIEC 002, Credit Suisse

[Quarterly]: European Banks' New York Branches (1)



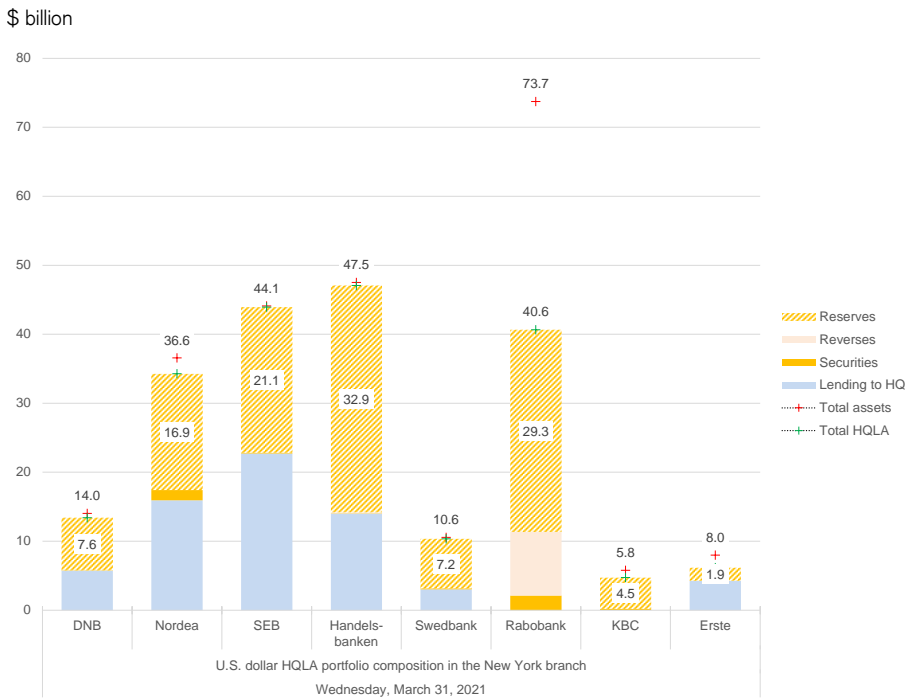
Source: FFIEC 002, Credit Suisse

[Quarterly]: European Banks' New York Branches (2)



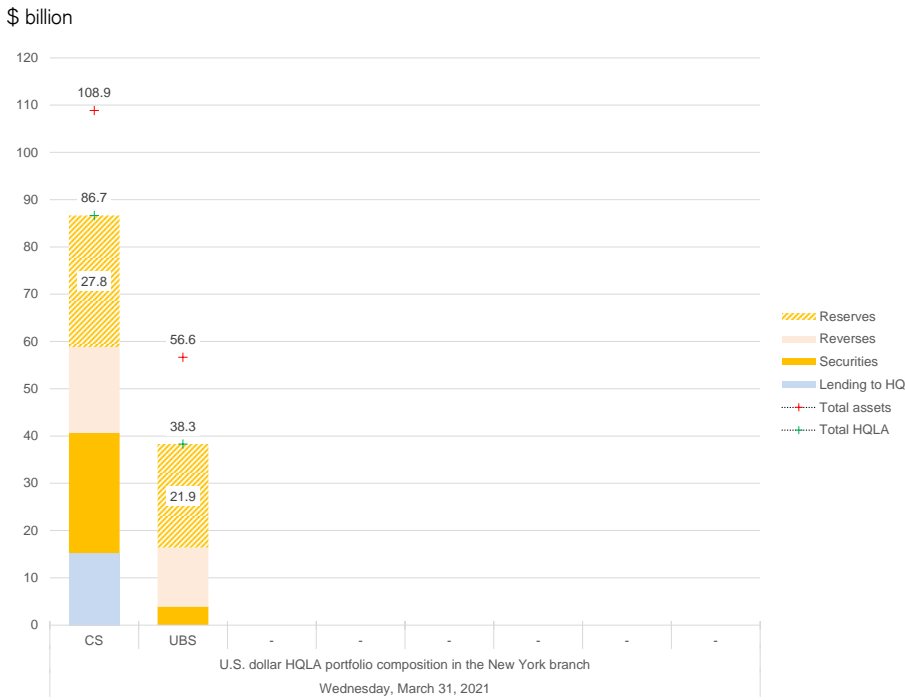
Source: FFIEC 002, Credit Suisse

[Quarterly]: European Banks' New York Branches (3)



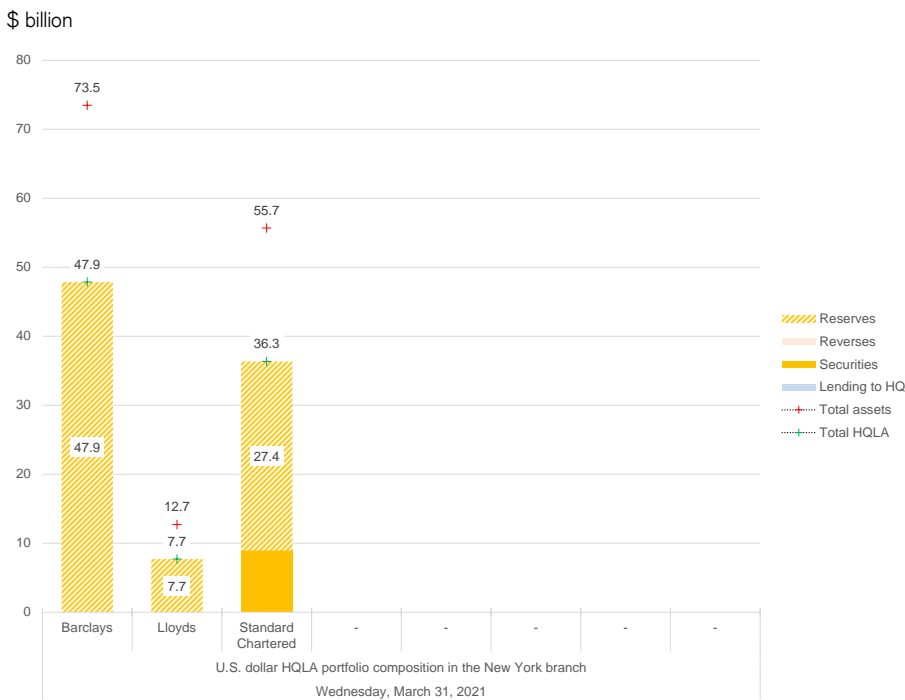
Source: FFIEC 002, Credit Suisse

[Quarterly]: Swiss Banks' New York Branches



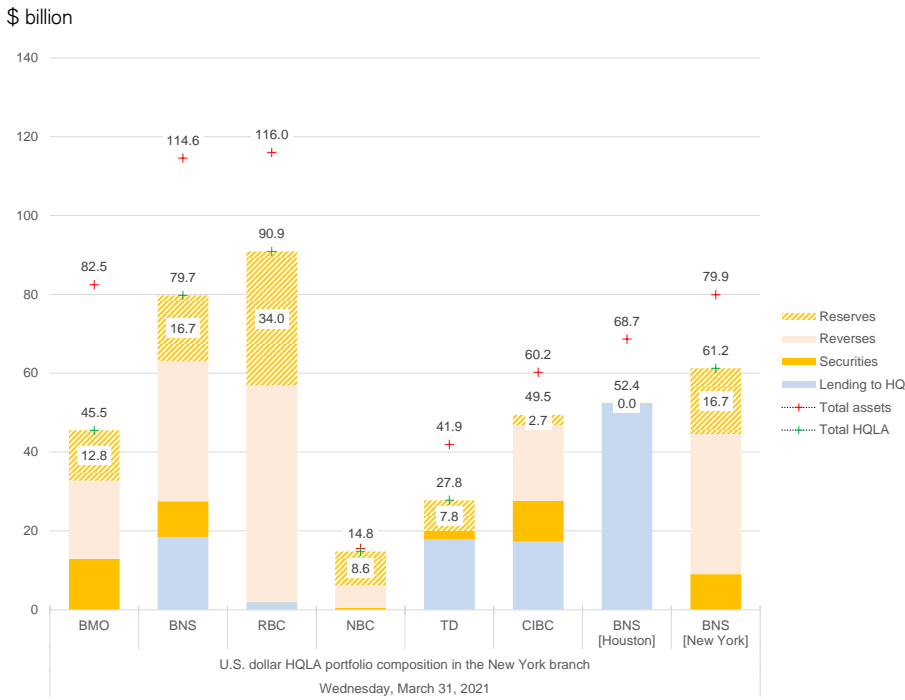
Source: FFIEC 002, Credit Suisse

[Quarterly]: U.K. Banks' New York Branches



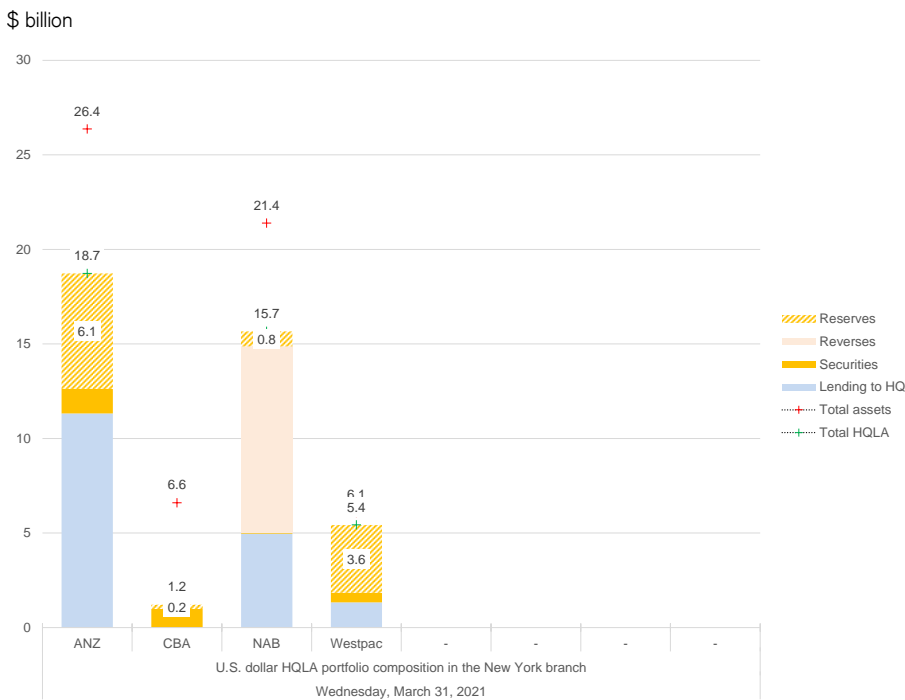
Source: FFIEC 002, Credit Suisse

[Quarterly]: Canadian Banks' New York Branches



Source: FFIEC 002, Credit Suisse

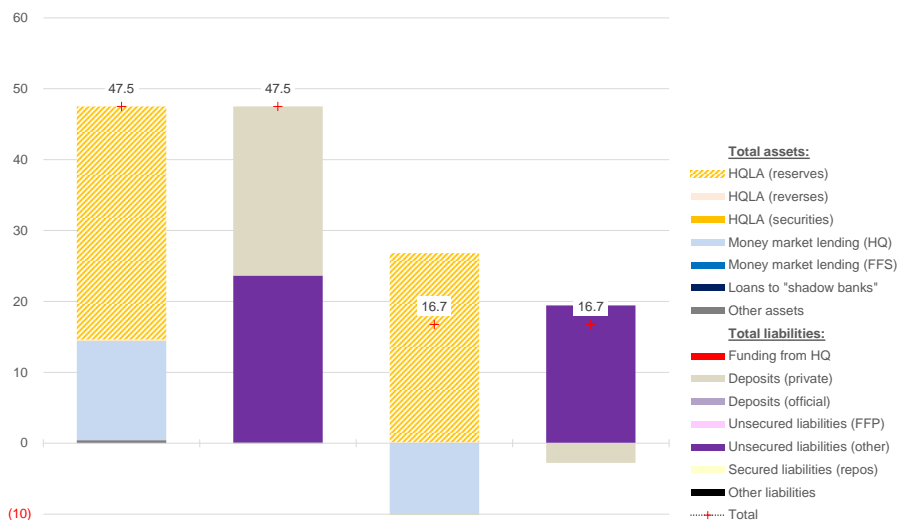
[Quarterly]: Australian Banks' New York Branches



Source: FFIEC 002, Credit Suisse

[Quarterly]: Svenska Handelsbanken

\$ billion

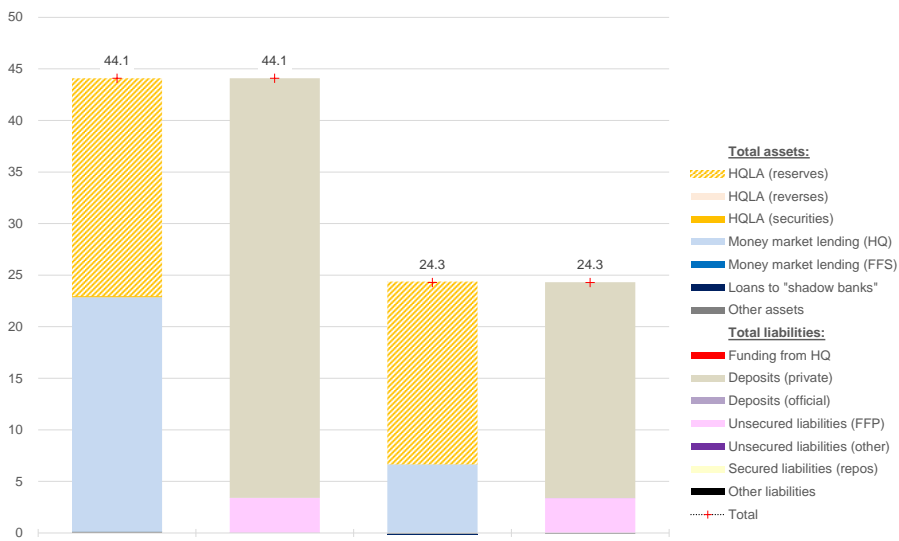


(20)	Assets	Liabilities	Assets	Liabilities
	Svenska Handelsbanken, New York branch		Change since	
	Wednesday, March 31, 2021		Tuesday, December 31, 2019	

Source: FFIEC 002, Credit Suisse

[Quarterly]: Skandinaviska Enskilda Banken

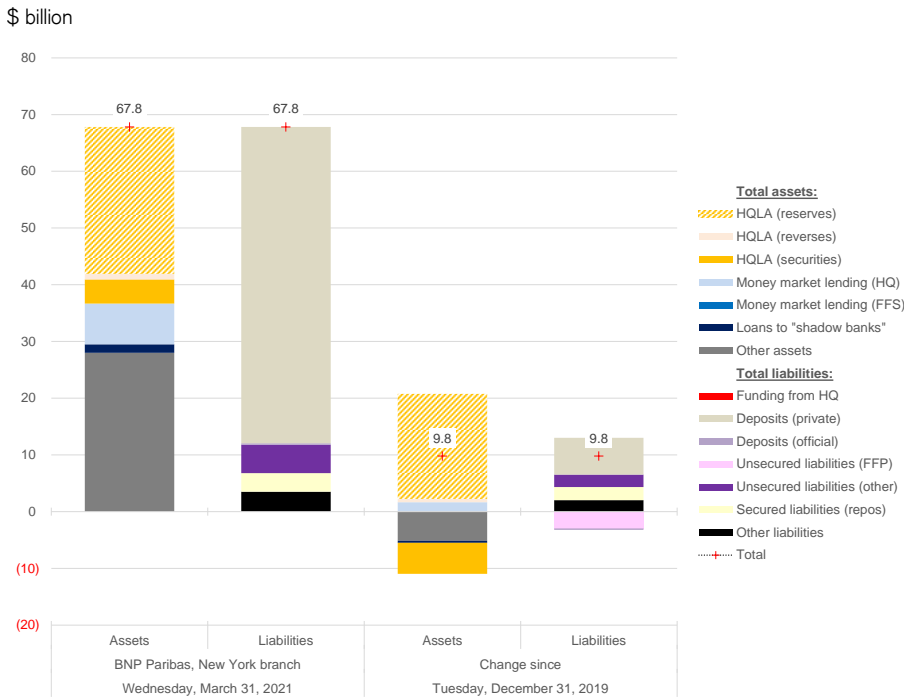
\$ billion



(5)	Assets	Liabilities	Assets	Liabilities
	SEB, New York branch		Change since	
	Wednesday, March 31, 2021		Tuesday, December 31, 2019	

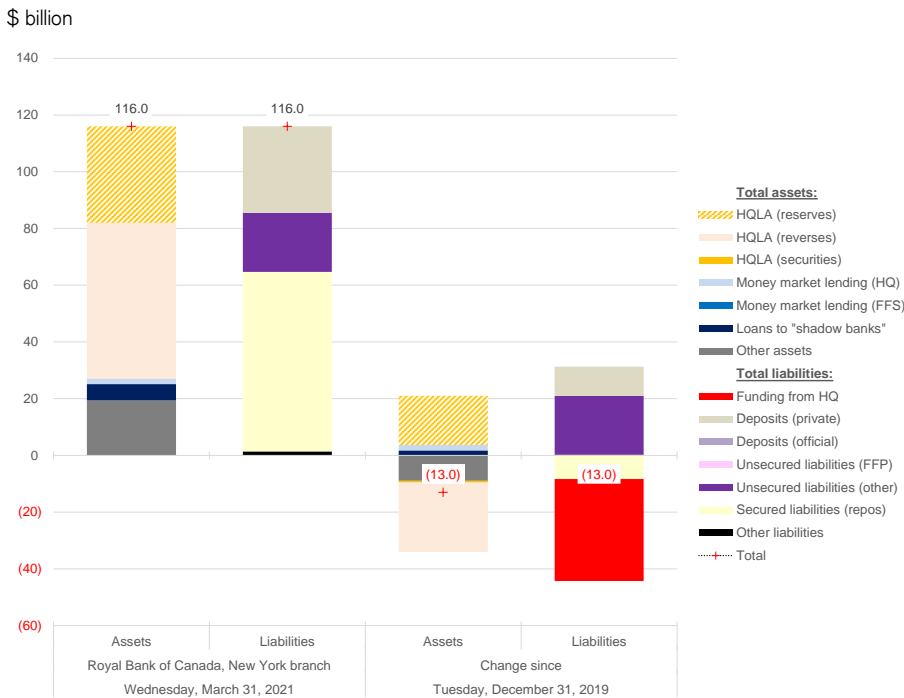
Source: FFIEC 002, Credit Suisse

[Quarterly]: BNP Paribas



Source: FFIEC 002, Credit Suisse

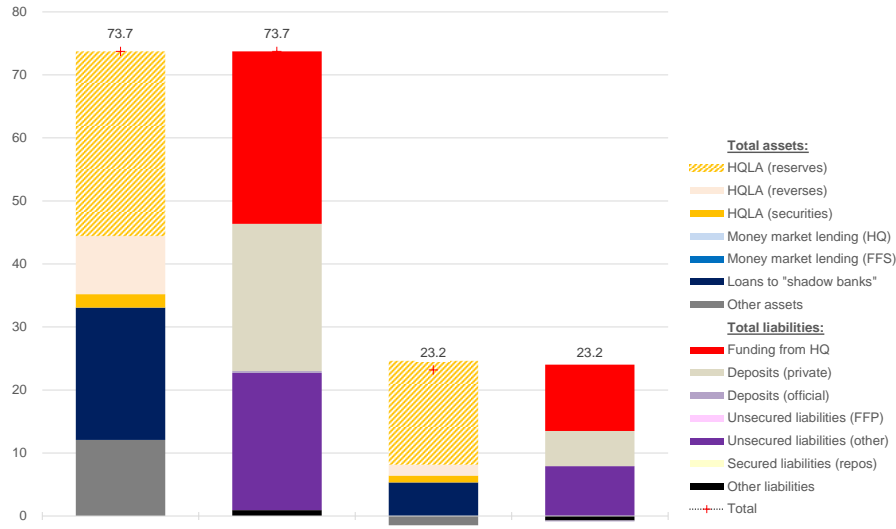
[Quarterly]: Royal Bank of Canada



Source: FFIEC 002, Credit Suisse

[Quarterly]: Rabobank

\$ billion

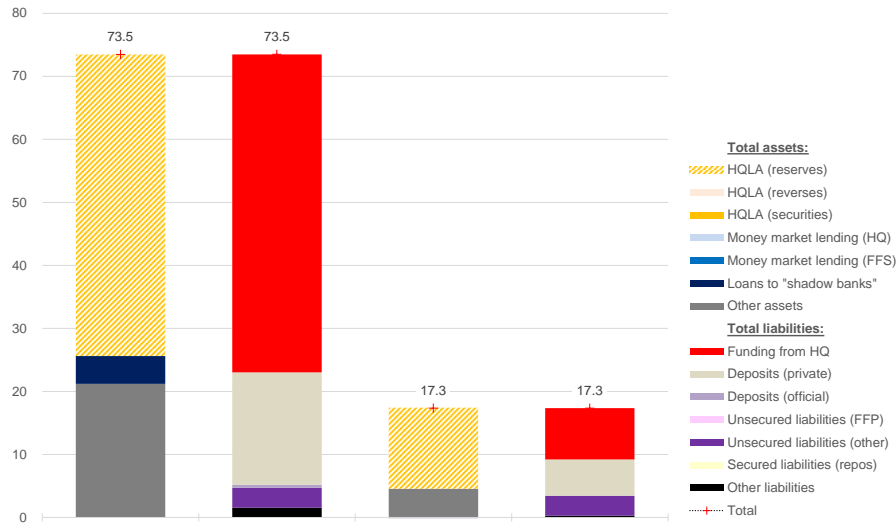


(10)	Assets	Liabilities	Assets	Liabilities
	Rabobank, New York branch		Change since	
	Wednesday, March 31, 2021		Tuesday, December 31, 2019	

Source: FFIEC 002, Credit Suisse

[Quarterly]: Barclays

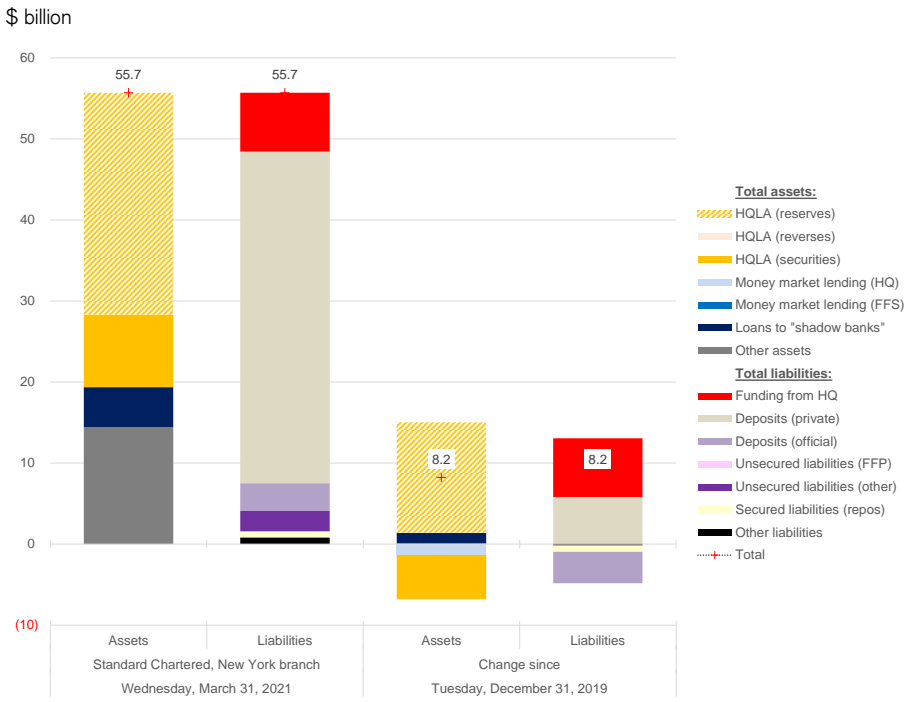
\$ billion



(10)	Assets	Liabilities	Assets	Liabilities
	Barclays, New York branch		Change since	
	Wednesday, March 31, 2021		Tuesday, December 31, 2019	

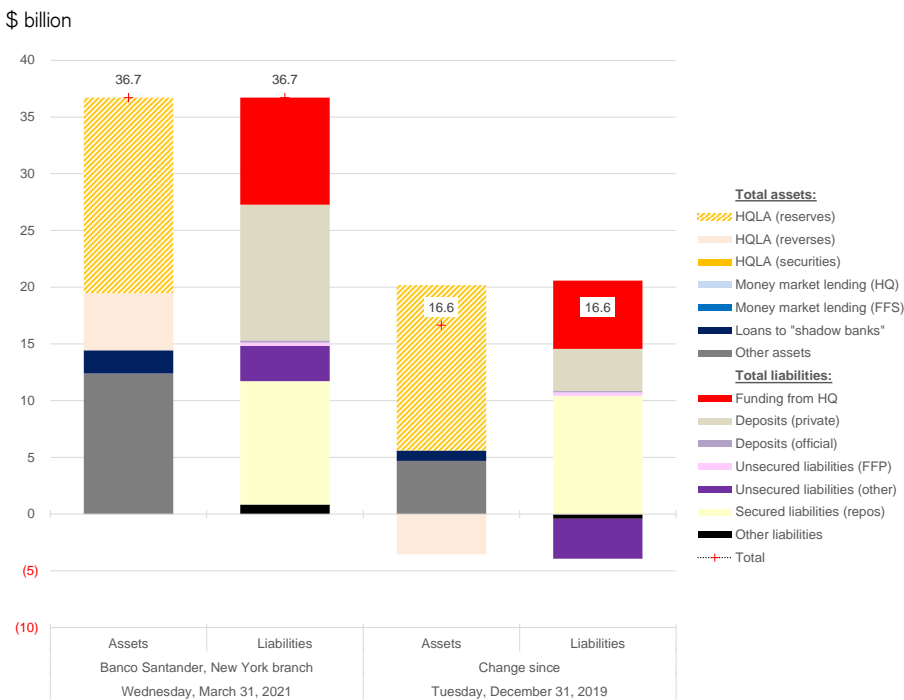
Source: FFIEC 002, Credit Suisse

[Quarterly]: Standard Chartered



Source: FFIEC 002, Credit Suisse

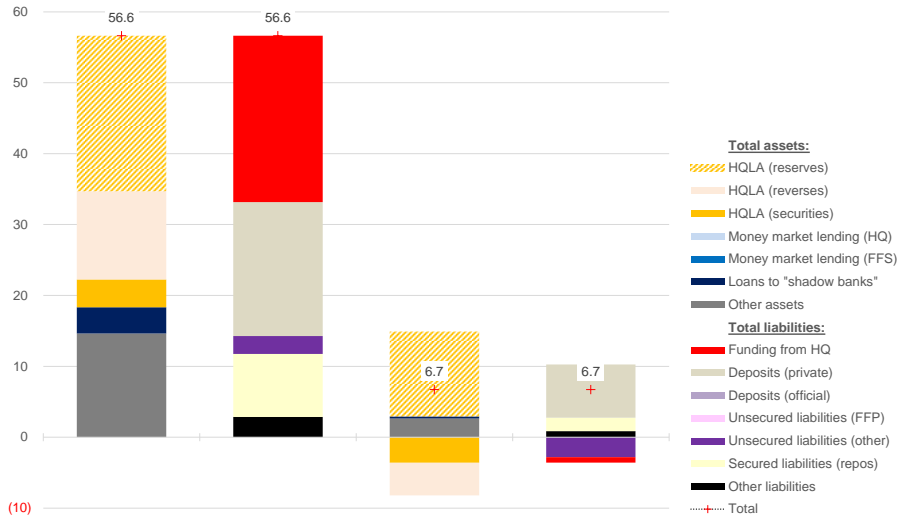
[Quarterly]: Banco Santander



Source: FFIEC 002, Credit Suisse

[Quarterly]: UBS

\$ billion

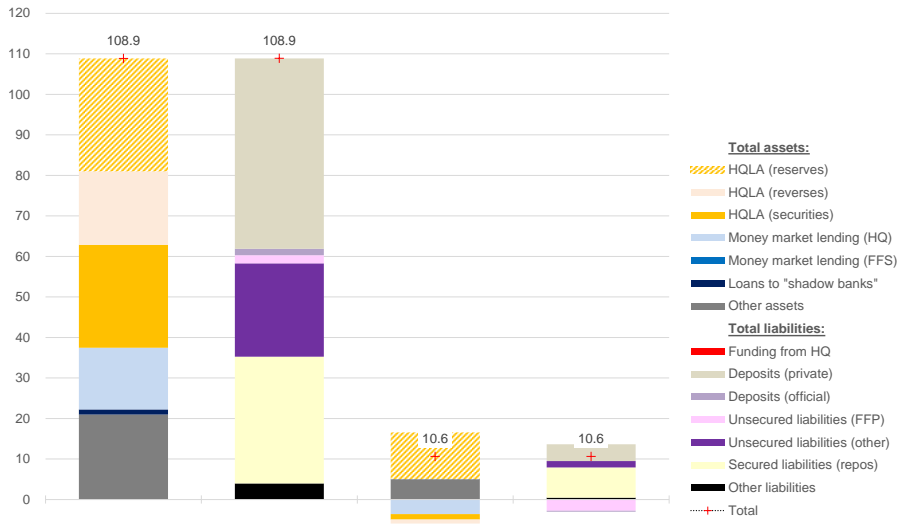


(20)	Assets	Liabilities	Assets	Liabilities
	UBS, Stamford and New York branches		Change since	
	Wednesday, March 31, 2021		Tuesday, December 31, 2019	

Source: FFIEC 002, Credit Suisse

[Quarterly]: Credit Suisse

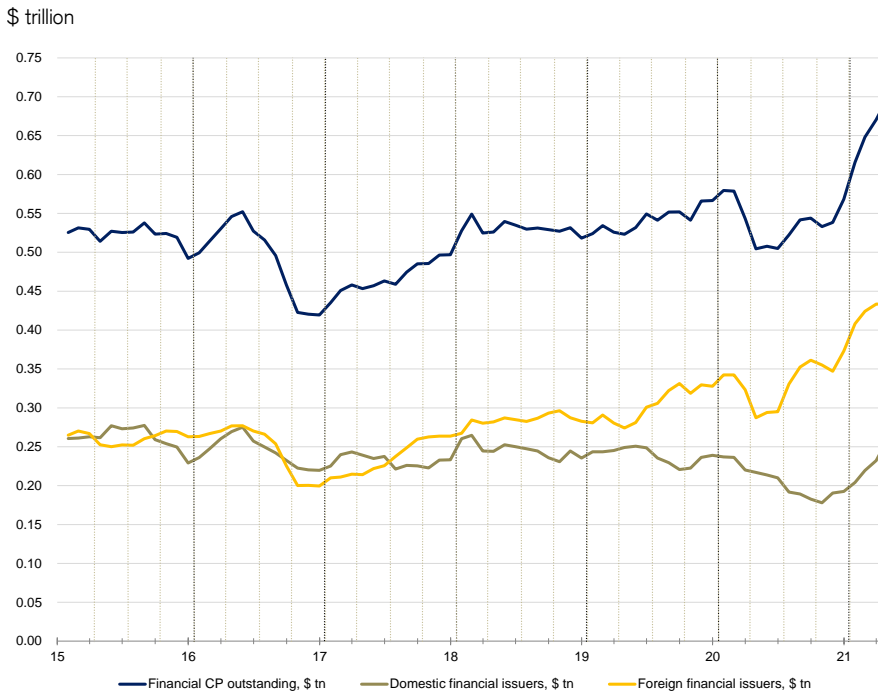
\$ billion



(20)	Assets	Liabilities	Assets	Liabilities
	Credit Suisse, New York branch		Change since	
	Wednesday, March 31, 2021		Tuesday, December 31, 2019	

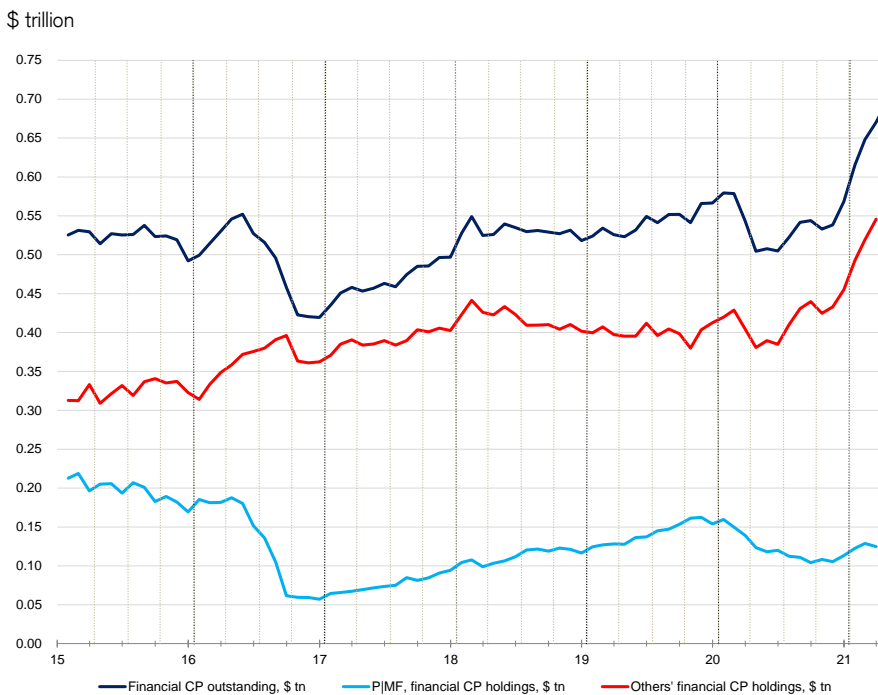
Source: FFIEC 002, Credit Suisse

[Monthly]: Foreign Banks' CP Issuance Is Up Since Late Last Year...



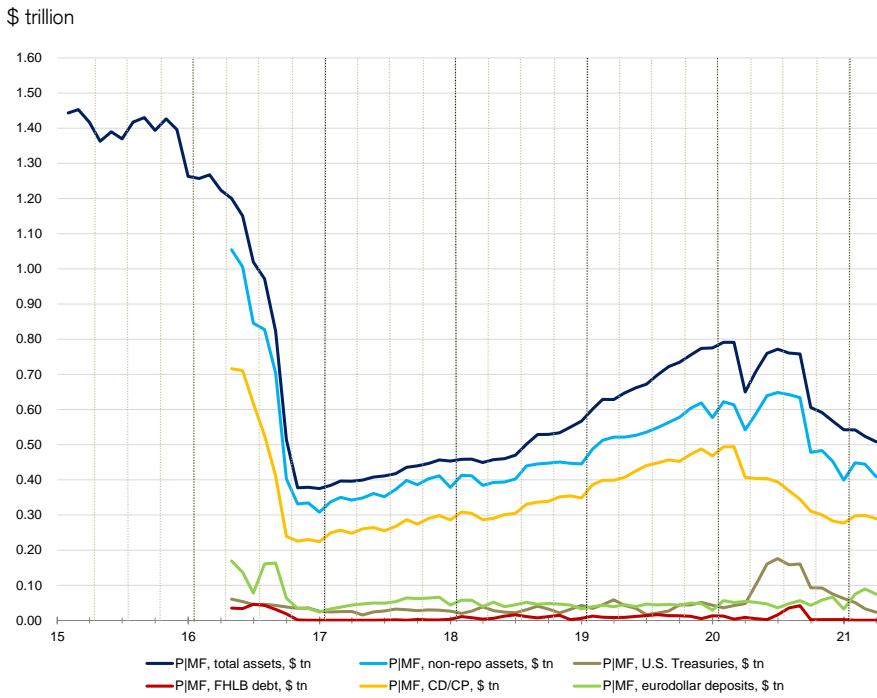
Source: Federal Reserve, ICI, Credit Suisse

[Monthly]: ...but Prime Money Funds Have Been Insignificant Buyers



Source: Federal Reserve, ICI, Credit Suisse

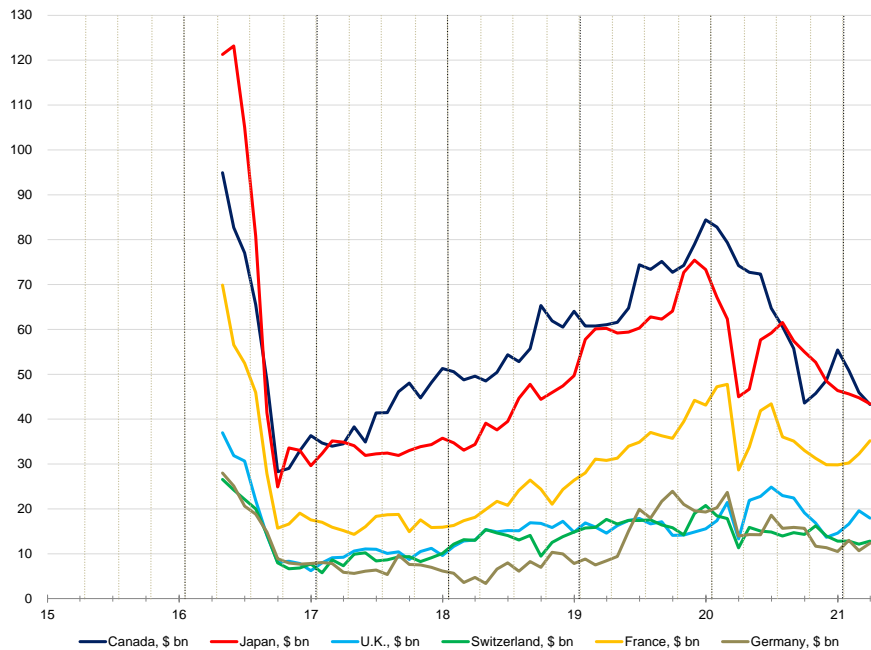
[Monthly]: Prime Funds Have Increased o/n Eurodollar Lending Only



Source: ICI, Credit Suisse

[Monthly]: Prime Money Funds Are No Longer the Place to Look for U.S. Dollar Libor Clues

\$ billion, term unsecured funding raised from prime money market funds



Source: ICI, Credit Suisse

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