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Belgian bank Dexia was biggest borrower from Federal Reserve discount window

Dexia, one of Belgium's biggest banks, proved the biggest borrower from the Federal Reserve's discount window in the week of the financial crisis that saw record demand for the facility.



The Fed had argued the release of the data could discourage banks from using the window in the future. Photo: AFP

By Richard Blackden, US Business Editor

8:43PM BST 31 Mar 2011

At the height of the financial meltdown, on October 24, 2008, Dexia's New York branch was used to borrow \$31.5bn (£19.6bn). The total borrowing from all banks during that week climbed to \$111bn, according to lending data released by the central bank on Thursday.

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Depfa, a unit of the German lender Hypo Real Estate Holding, also tapped the window for \$24.6bn.

The Fed was forced to disclose the names of the banks and the amounts they borrowed after a legal challenge by Bloomberg. The central bank argued the release of the data could discourage banks from using the window in the future.

"The information is backward-looking," said Ulrike Pommee, a spokeswoman for Dexia. "We experienced a great deal of tension concerning the liquidity of the dollar at the time." Dexia has since reduced its outstanding balance at the Fed to zero, said Ms Pommee.

The release of more than 25,000 pages of documents also revealed that many US banks had borrowed surprisingly little from the discount window, the Fed's oldest lending tool. The data showed that Germany's Commerzbank, Royal Bank of Scotland and France's Societe Generale all used the facility.

Thursday's release added to information the Fed had already revealed about its other lending programmes during the crisis, including the Term Auction Facility.

Under a stipulation in the Dodd-Frank Act, the financial reform passed last summer, the Fed has to reveal the identities of those who borrow from the discount window with a two-year lag. Analysts say this it is likely to deter banks from using it.



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