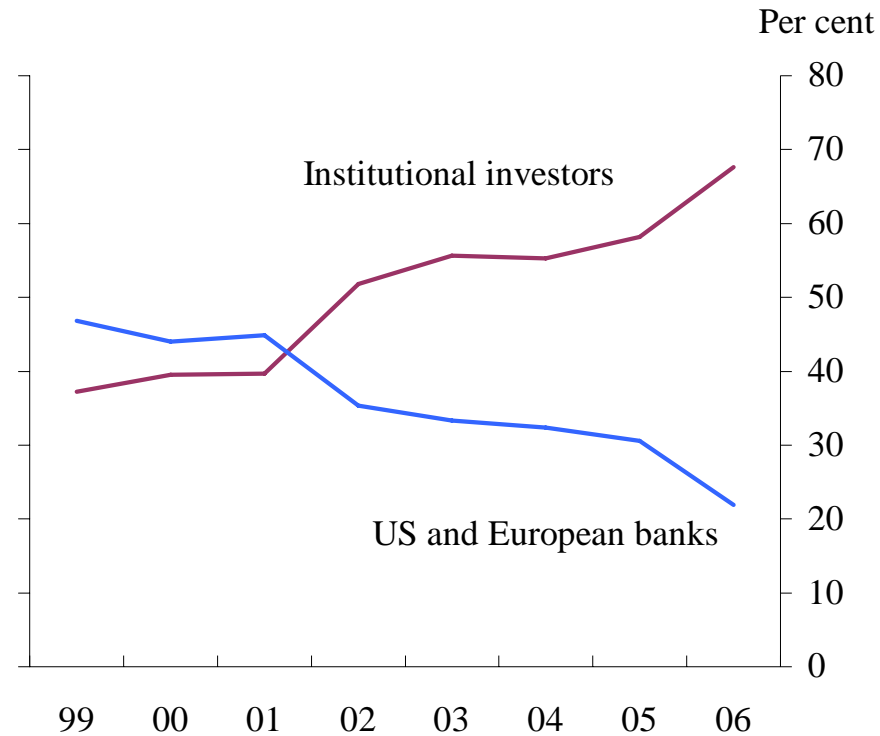


Coping with financial distress in a more markets-orientated environment

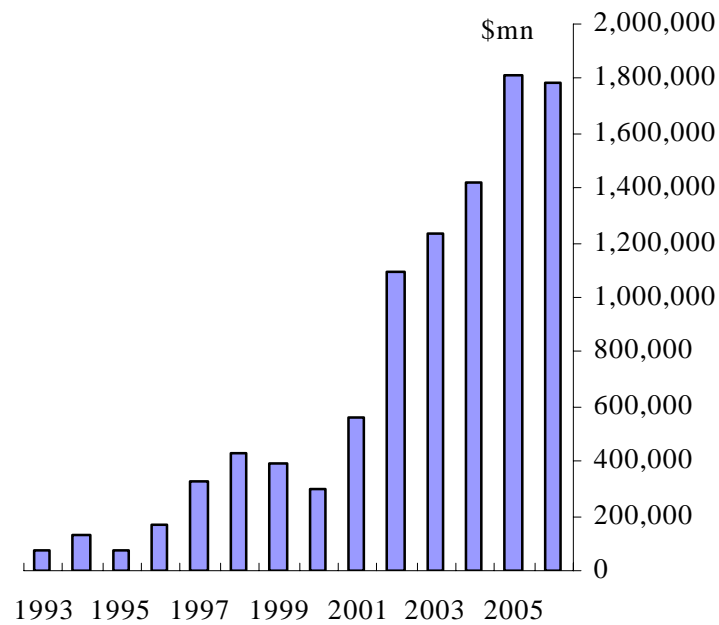
Chart A: Investor shares of US and European leveraged loan markets ^(a)



Sources: Standards & Poor's Leverage Commentary and Data, and Bank calculations.

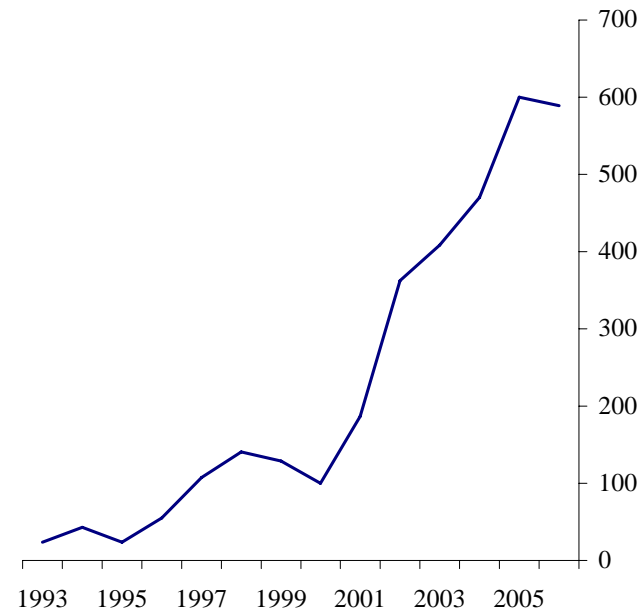
^(a) Shares weighted by European and US leverage loan market volumes.

Chart B:
Global issuance of RMBS



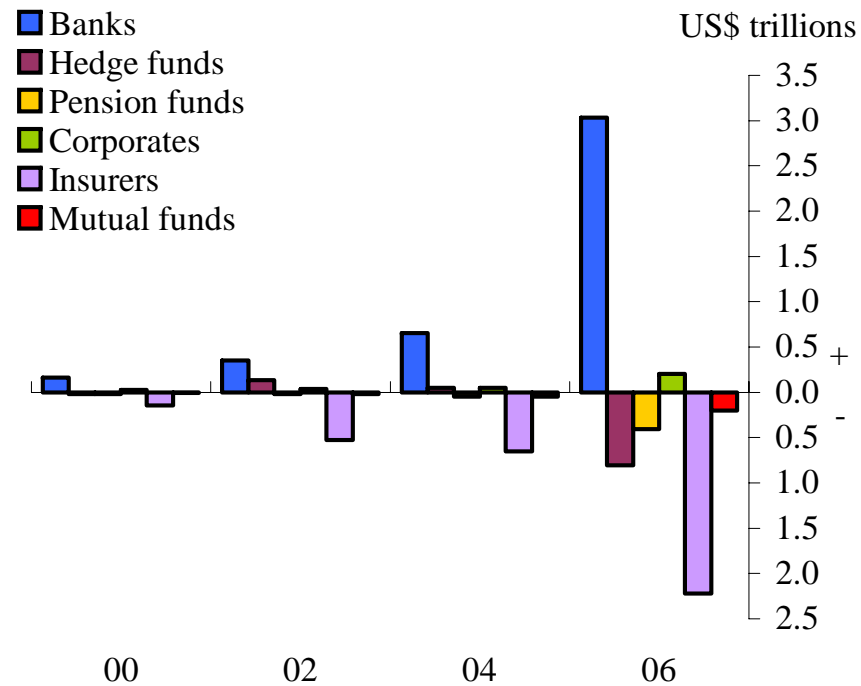
Source: Dealogic.

Global issuance of RMBS
indexed to 2000



Source: Dealogic.

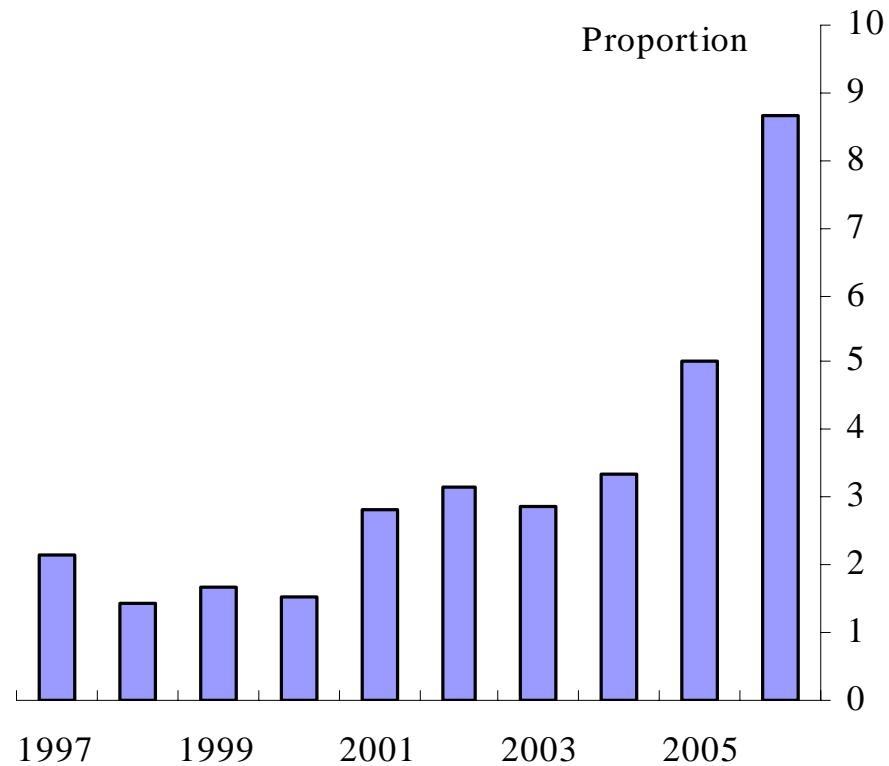
Chart C: Outstanding global amounts of credit protection bought by institution ^(a)



Sources: BBA and Bank calculations.

^(a) Amounts netted across long and short positions.

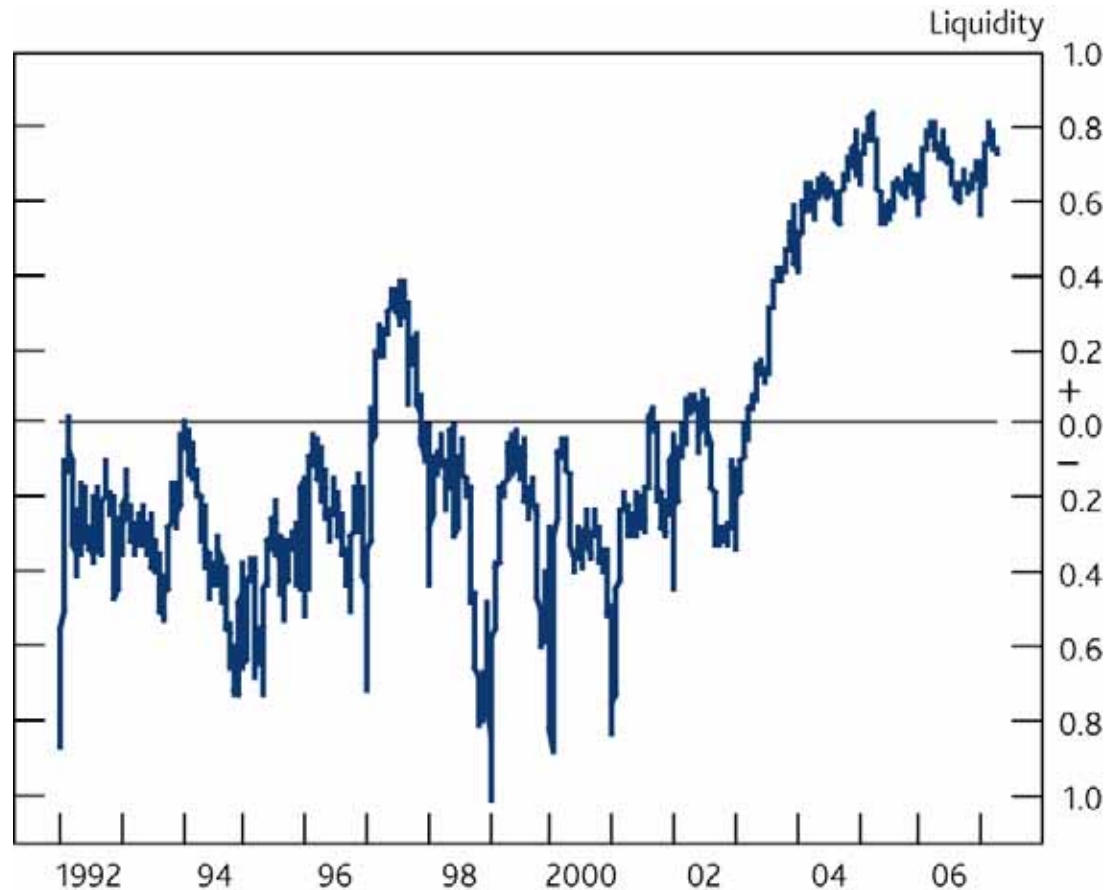
Chart D: CLO issuance as a proportion of leveraged lending



Source: Dealogic

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Chart E: Measuring Financial Market Liquidity^(a)



Sources: Bank of England, Bloomberg, Chicago Board Options Exchange, Debt Management Office, London Stock Exchange, Merrill Lynch, Moody's Investors Service, Thomson Datastream and Bank calculations.

(a) Simple, unweighted mean of the liquidity measures, normalised on the period 1999–2004. Data shown are an exponentially weighted moving average. The indicator is more reliable after 1997 as it is based on a greater number of underlying measures.

Chart F: Ratings properly understood?

Spread-for-rating comparison^(a)

Ratings	Underlying	Indicative spread (basis points)
AAA	Corporate bonds	<5
AAA	UK credit card asset-backed security (ABS)	15
AAA	iTraxx series 6, 6% to 9% standard tranche ^(b)	22
AAA	Commercial mortgage-backed security	25
AAA	Cash-flow collateralised debt obligation of mezzanine ABS (average life seven to nine years)	32
AAA	Constant proportion debt obligation (CPDO)	200

Source: JPMorgan Chase & Co.

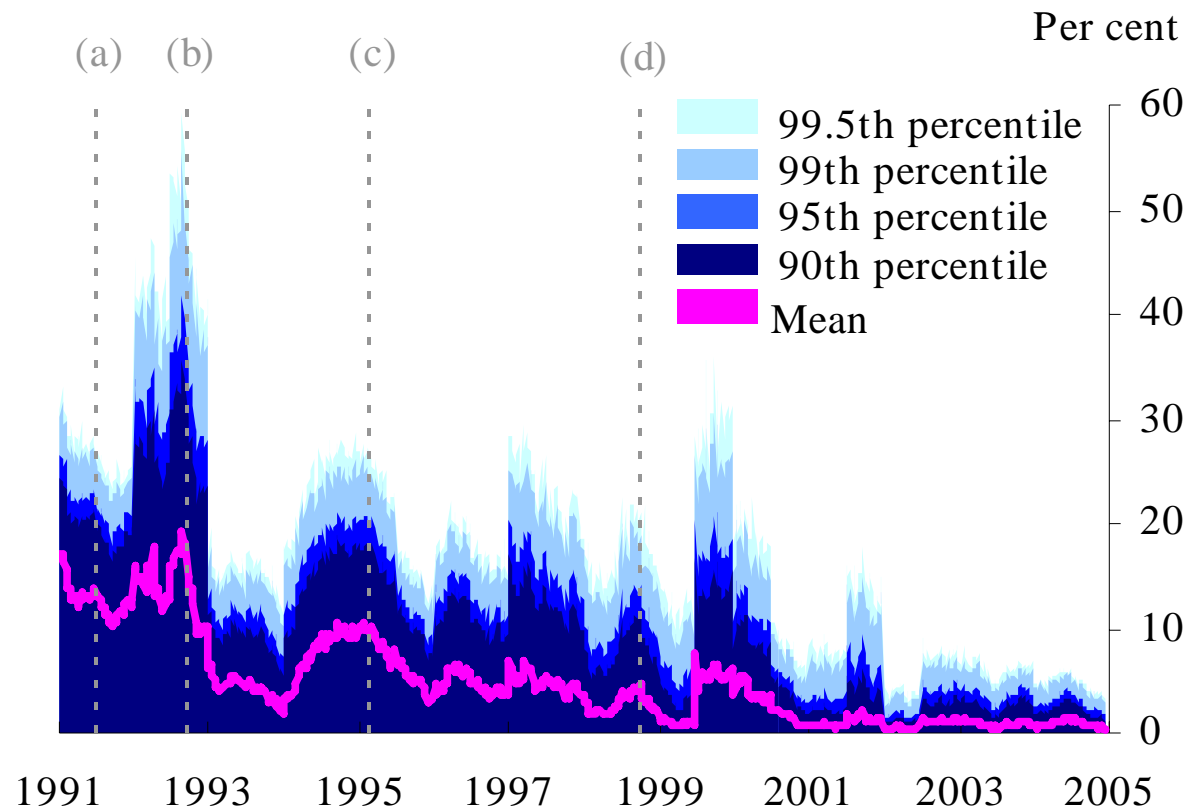
(a) From JPMorgan Chase & Co. (2006), *Understanding CPDOs and Credit Derivatives Handbook*, December.

(b) Under typical assumptions. iTraxx is the name of a family of credit default swap index products covering regions of Europe, Japan and non-Japan Asia. The constituents of the indices are changed every six months.

The series referred to in this table is the European investment-grade series.

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Chart G: A Measure of UK Banking System Losses (including network effects)



(a) BCCI closed down by BoE
(b) Sterling ejected from ERM

(c) Barings collapse
(d) LTCM collapse

Systemic Risk and Financial Integration (artificial network with liquidity effects)

