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

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\(^{(a)}\)


\(^{(a)}\) 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\(^{(a)}\)

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

Source: JPMorgan Chase & Co.


\(^{(b)}\) 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.
Coping with financial distress in a more markets-orientated environment
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)