

HOW THE FED HELPED QADDAFI KEEP HIS \$200B IN LOOT

I suggested yesterday that the West will be playing dumb about the extent to which Qaddafi looted the Libyan people becomes known.

But what about how Qaddafi looted us—or, at least, the Fed?

As this article laid out, one of the means by which Qaddafi was looting was the Central Bank of Libya.

Moammar Kadafi secretly salted away more than \$200 billion in bank accounts, real estate and corporate investments around the world before he was killed, about \$30,000 for every Libyan citizen and double the amount that Western governments previously had suspected, according to senior Libyan officials.

The new estimates of the deposed dictator's hidden cash, gold reserves and investments are "staggering," one person who has studied detailed records of the asset search said Friday. "No one truly appreciated the scope of it."

[snip]

Most of the money was under the name of government institutions such as the Central Bank of Libya, the Libyan Investment Authority, the Libyan Foreign Bank, the Libyan National Oil Corp. and the Libya African Investment Portfolio. But investigators said Kadafi and his family members could access any of the money if they chose to. [my emphasis]

Central Bank of Libya was a significant owner (and is now a 59% owner) in the Arab Banking Company, which got \$35B of loans during the

crisis.

Arab Banking Corp., the lender part-owned by the Central Bank of Libya, used a New York branch to get 73 loans from the U.S. Federal Reserve in the 18 months after Lehman Brothers Holdings Inc. collapsed.

The bank, then 29 percent-owned by the Libyan state, had aggregate borrowings in that period of \$35 billion – while the largest single loan amount outstanding was \$1.2 billion in July 2009, according to Fed data released yesterday. In October 2008, when lending to financial institutions by the central bank's so-called discount window peaked at \$111 billion, Arab Banking took repeated loans totaling more than \$2 billion.

Yet all the time the ABC was borrowing \$2B chunks of money, Qaddafi was sitting on \$200B, which he could have used to provide the bank liquidity.

Mind you, this kind of looting was no doubt going on—and is no doubt going on today, as big banks refuse haircuts in Europe and housing fraud settlements—more generally. Qaddafi is just the very ugly face of how the Fed lending allowed people and corporations who had been looting for some time were able to keep that loot.