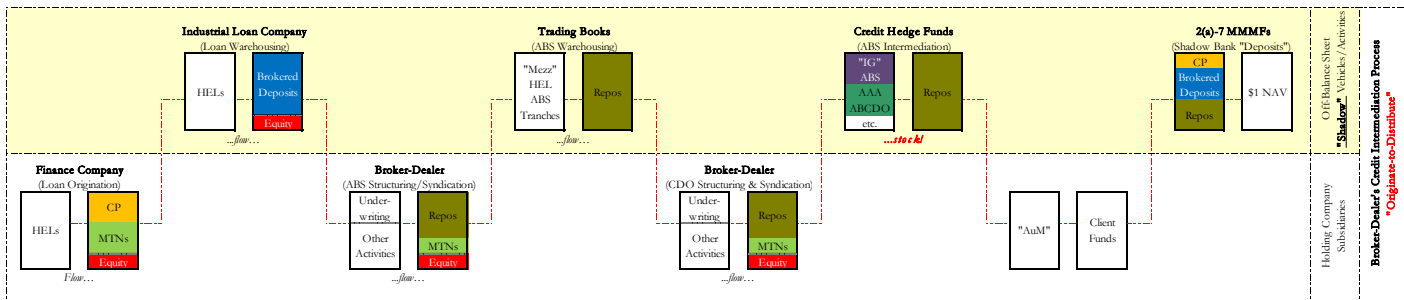
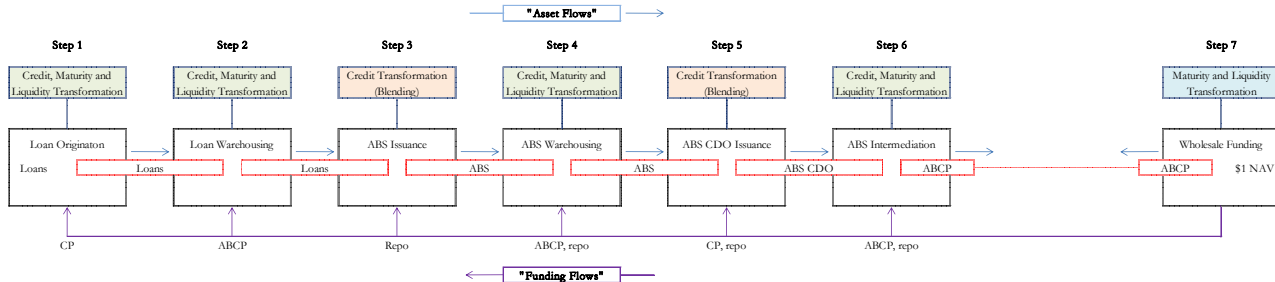


Appendix 3: The Credit Intermediation Process of Diversified Broker-Dealers

The credit intermediation process of Diversified Broker-Dealers (DBD) is similar to that of FHCs (see Figure XX), with only a few differences. First, DBDs originate loans out of finance company subsidiaries, not commercial bank subsidiaries. Second, DBDs warehouse loans not in conduits, but in industrial loan company subsidiaries; alternatively, DBDs can outsource loan warehousing to a multi-seller conduit run by an FHC. Third, ABS warehousing is also not conducted from conduits, but from trading books. Finally, ABS intermediation is not conducted through SIVs, but through internal credit hedge funds. On a funding level, DBD's intermediation process is more reliant on brokered deposits and repo, compared to the FHC process, which is more reliant on branch deposits, CP and ABCP.



Source: Shadow Banking (Pozsar, Adrian, Ashcraft, Boesky (2010))