



U.S. TREASURY DEPARTMENT

Treasury Analysis of Warrant Auction Results

March 18, 2010

As part of the effort to increase transparency in government, the Office of Economic Policy and the Office of Financial Stability have conducted an analysis of the recent auctions for Capital One Financial, J.P. Morgan, and Bank of America warrants (all of the auctions to date with greater than \$100 million in proceeds). The analysis provides information about the robustness of the auctions and about the ability of any single bidder to influence the final clearing price in the auction.

Capital One Financial

Summary

Date: 12/3/2009
Clearing price: \$11.75
Total Warrants Sold: 12.6 million
Gross Proceeds: \$148.7 million

Background

- In the Capital One Financial auction, no single bidder made up more than 7.6% of the total bids submitted. No single bidder had a large impact on the clearing price for this auction. Excluding the five institutions that bid for the largest number of warrants one at a time would only affect the clearing price in two cases. In both cases, the effect on the price would have been relatively small (-4.3% and -2.1%).

Five Institutions that Bid for the Largest Number of Warrants

Rank by Amt Bid	% of Total Bid	Clearing Price <i>WITHOUT</i> this bidder	% Change in Price
1	7.6%	\$11.75	0.0%
2	7.5%	\$11.25	-4.3%
3	7.1%	\$11.50	-2.1%
4	5.7%	\$11.75	0.0%
5	4.2%	\$11.75	0.0%

- Deutsche Bank received 13.2 bids for each Capital One Financial warrant that was being auctioned. Out of the 563 bids received by Deutsche Bank, 75 bids were winning bids.
- In the Capital One Financial auction, the smallest 25 percent of bidders made up approximately 1.5% of the total bids. Expanding the bids submitted by these bidders by 2 times and 3 times would have no effect on the clearing price.

J.P. Morgan

Summary

Date: 12/10/2009
Clearing price: \$10.75
Total Warrants Sold: 88.4 million
Gross Proceeds: \$950.3 million

Background

- In the J.P. Morgan auction, no single bidder made up more than 15.4% of the total bids submitted. No single bidder had a large impact on the clearing price for this auction. Excluding the five institutions that bid for the largest number of warrants one at a time would only affect the clearing price in two cases, and in each case the change in the price would have been small (-2.3%).

Five Institutions that Bid for the Largest Number of Warrants

Rank by Amt Bid	% of Total Bid	Clearing Price <i>WITHOUT</i> this bidder	% Change in Price
1	15.4%	\$10.75	0.0%
2	13.1%	\$10.50	-2.3%
3	7.3%	\$10.75	0.0%
4	6.0%	\$10.50	-2.3%
5	5.2%	\$10.75	0.0%

- Deutsche Bank received 6.1 bids for each J.P. Morgan warrant that was being auctioned. Out of the 754 bids received by Deutsche Bank, 338 bids were winning bids.
- In the J.P. Morgan auction, the smallest 25 percent of bidders made up approximately 0.5% of the total bids. Expanding the bids submitted by these bidders by 2 times and 3 times would have no effect on the clearing price.

Bank of America (A) Auction

Summary

Date: 3/3/2010
Clearing price: \$8.35
Total Warrants Sold: 150.3 million
Gross Proceeds: \$1,255.6 million

Background

- In the Bank of America (A) auction, no single bidder made up more than 22.7% of the total bids submitted. No single bidder had a large impact on the clearing price for this auction. Excluding the five institutions that bid for the largest number of warrants one at a time would affect the clearing price in two out of the five cases. In one case the effect on the price would have been -1.8%, and in one case the effect on the price would have been -1.2%.

Five Institutions that Bid for the Largest Number of Warrants

Rank by Amt Bid	% of Total Bid	Clearing Price <i>WITHOUT</i> this bidder	% Change in Price
1	22.7%	\$8.35	0.0%
2	4.5%	\$8.20	-1.8%
3	3.2%	\$8.35	0.0%
4	3.2%	\$8.25	-1.2%
5	2.9%	\$8.35	0.0%

- Deutsche Bank received 4.40 bids for each Bank of America (A) warrant that was being auctioned. Out of the 1,489 bids received by Deutsche Bank, 369 bids were winning bids.
- In the Bank of America (A) auction, the smallest 25 percent of bidders made up approximately 0.7% of the total bids. Expanding the bids by these bidders by 2 times would have no effect on the clearing price; expanding the bids submitted by these bidders by 3 times would have a modest effect on the price (+2.4%)

Bank of America (B) Auction

Summary

Date: 3/3/2010
Clearing price: \$2.55
Total Warrants Sold: 121.7 million
Gross Proceeds: \$310.6 million

Background

- In the Bank of America (B) auction, no single bidder made up more than 9.4% of the total bids submitted. No single bidder had a large impact on the clearing price for this auction. Excluding the five institutions that bid for the largest number of warrants one at a time would affect the clearing price in two out of the five cases. In one case the effect on the price would have been -3.9%, and in the other case the effect on the price would have been -2.0%.

Five Institutions that Bid for the Largest Number of Warrants

Rank by Amt Bid	% of Total Bid	Clearing Price <i>WITHOUT</i> this bidder	% Change in Price
1	9.4%	\$2.55	0.0%
2	9.4%	\$2.55	0.0%
3	9.2%	\$2.50	-2.0%
4	7.7%	\$2.45	-3.9%
5	6.0%	\$2.55	0.0%

- Deutsche Bank received 10.7 bids for each Bank of America (B) warrant that was being auctioned. Out of the 1,246 bids received by Deutsche Bank, 136 bids were winning bids.
- In the Bank of America (B) auction, the smallest 25 percent of bidders made up approximately 0.4% of the total bids. Expanding the bids by these bidders by 2 times and 3 times would have no effect on the clearing price.