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### Department of the Treasury response to Congressional Oversight Panel, Questions for the Record

Herbert M. Allison Jr.

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**QUESTIONS FOR THE RECORD**

**CONGRESSIONAL OVERSIGHT PANEL**

**Hearing entitled “Citigroup:  
TARP’s Impact on Corporate Strategy”**

**U.S. Department of Treasury**

**Assistant Secretary Herbert M. Allison, Jr.**

**March 4, 2010**

## Citigroup's Participation in TARP

1. On October 14, 2008, Treasury Secretary Henry Paulson announced the creation of the Capital Purchase Program (CPP) and named nine financial institutions that had agreed to be the initial participants in the program. Citigroup was among these nine institutions and received a capital injection of \$25 billion under the program. On that date, Secretary Paulson assured the public that these participants were healthy institutions and the program was meant to instill confidence in the markets in the wake of the recent financial turmoil.

On November 23, 2008, just over a month later, Treasury announced it would provide Citigroup—and only Citigroup—with further financial assistance in the form of an additional \$20 billion in capital and an agreement to guarantee a \$306 billion (later reduced to \$301 billion) pool of Citigroup assets. In your written testimony, you state that Treasury believed that Citigroup would not have been able to obtain sufficient funding in the market if it had not received a commitment of more government assistance in November 2008.

- What was the nature of Citigroup's financial problems in November 2008? In the wake of Treasury's pronouncement that all the recipients were "healthy," why was additional immediate assistance necessary for Citigroup?
- During the week of November 17, 2008, leading up to the announcement of additional assistance for Citigroup on November 23, (i) did anyone from Citigroup contact the Treasury Department to inform it that Citigroup was experiencing financial difficulties, and (ii) did Citigroup convey to Treasury at one or more such times that it would fail without another infusion of capital? Did one or more of Citigroup's banking supervisors relay any such information to Treasury? Did Treasury make any assessment of Citigroup's financial condition at any time during November 2008?
- What was Treasury's understanding of Citigroup's financial situation on November 21, 2008 (the Friday before the announcement)? What was the basis for that understanding? How did this financial situation compare to the company's financial situation as of one month prior to November 21? What was Citigroup paying for short-term funds in the wholesale markets on November 21 compared with one month earlier? Was Citigroup insolvent on a liquidity basis on November 21?
- To what extent were Citigroup's funding difficulties in November 2008 caused by or exacerbated by the rejection of its bid to acquire Wachovia?

**The events leading up to the announcement of the coordinated government response to support Citigroup happened during the prior Administration, under extraordinary circumstances. The people involved in the specific conversations**

referenced in your questions are no longer at Treasury. It is therefore difficult to reconstruct the precise sequence of events or to answer all of your specific questions about them.

Although the October 2008 announcement of the initial investments under the Capital Purchase Program (CPP) was well received, the outlook for the U.S. economy and Citigroup continued to deteriorate in subsequent weeks. For example, while the credit default swap (CDS) spread on 10 year senior Citigroup debt fell from 354 basis points on October 13, 2008 - the day before the announcement of Treasury's CPP investment - to 161 basis points the following day, the spread was back up to 378 basis points on November 21, 2008 - the last trading day before the announcement of assistance to Citigroup under what became known as the Targeted Investment Program (TIP) and the Asset Guarantee Program (AGP) assistance. At the same time, broader measures of risk throughout the financial system were also highly unstable. The VIX Volatility Index fell from 70 on October 10, to 55 on October 14, but was back up to 73 on November 21. Due to the deterioration in confidence, there was concern that, without government assistance, Citigroup would not be able to obtain sufficient funding in the market over the following days.

We understand that during the week of November 17, 2008, as the outlook for the U.S. economy and the market's perception of Citigroup continued to deteriorate, representatives of the Federal Reserve, the FDIC, Treasury and Citigroup participated in meetings and conference calls to discuss Citigroup's financial position, as well as the logistics of a coordinated government response.

As the Federal Reserve observed in recommending a systemic risk determination regarding Citigroup's insured depository institution subsidiaries, a failure to act to reestablish confidence in Citigroup by providing additional liquidity and an asset guarantee program would have had a significant adverse effect on U.S. and global financial markets. A further deterioration of Citigroup would have led investors to doubt the ability and willingness of U.S. policymakers to support U.S. banking institutions and financial markets, notwithstanding Treasury's prior CPP investments. As a result, funding markets would likely have frozen, and other large U.S. banking organizations would have been extremely vulnerable to a loss of confidence by wholesale suppliers of funds. Investors would have been concerned about direct exposures of other financial firms to Citigroup, and might have begun to doubt the financial strength of other large U.S. financial institutions that might have been seen as similarly situated, likely weakening overall confidence in U.S. commercial banks.

More generally, given Citigroup's substantial international presence, global liquidity pressures would likely have increased and confidence in U.S. assets more broadly could have declined. Moreover, in the event that Citigroup would have been unable to obtain sufficient funding in the market in that period, losses on Citigroup paper could have led some money market mutual funds to "break the buck." All of these effects would likely have caused investors to raise sharply their

**assessment of the risks of investing in U.S. banking organizations, making it much less likely that such institutions would be able to raise capital and other funding despite the efforts of Treasury under the CPP.**

**The worsening of the financial turmoil that would likely have resulted would have further undermined business and household confidence. In addition, with the liquidity of banking organizations further reduced and their funding costs increased, banking organizations would likely have become even less willing to lend to businesses and households. Beyond the much greater severity of the financial crisis that would have ensued, these effects would have contributed to weaker economic performance, higher unemployment, and reduced wealth, in each case materially.**

**As a result of these conversations, and , in consultation with the Federal Reserve and the FDIC, Treasury concluded that given the state of the U.S. markets, the economy, and the size, importance and inter-connectedness of Citigroup, additional action was necessary to promote financial stability, and that failure to act would have severe repercussions on global financial markets and the economy.**

2. In his testimony, Mr. Pandit identified the primary reason for Citigroup's difficulties in the fall of 2008 as the falling value of its common stock due to short-selling. Do you agree? Please identify any other factors that you believe were at work at this time.

**Treasury is not in a position to confirm or dispute Mr. Pandit's characterization of the reasons for Citigroup's difficulties. Treasury was aware of the factors described in the answer to question 1.**

3. Citigroup's difficulties were primarily caused by the steep drop in the value of its common stock due to short-selling, please explain why it was appropriate for Treasury to provide Citigroup with \$45 billion to buttress its stock price. If this was not the reason for Treasury's support, then please explain the basis for the provision of \$45 billion of assistance to Citigroup.

**Please refer to the answer to question 1.**

#### Citigroup's Exit from TARP

4. A December 18, 2009 Wall Street Journal article reported that officials at the Federal Reserve and the FDIC "privately complained that Treasury officials pushed them to allow banks [Citigroup and Wells Fargo] to quickly leave TARP."
  - Is that statement accurate? Was there any disagreement within Treasury, or between Treasury and one or more of the Federal Reserve, the OCC, and the FDIC on this matter?

- Did Treasury participate in discussions about or otherwise attempt to influence one or more of the Federal Reserve, the OCC, and the FDIC as the regulatory agencies evaluated the readiness of Citigroup and/or Wells Fargo to exit TARP?
- The same article reported that Citigroup was “fearful of becoming the last major bank still under TARP” and at the time “urged the Treasury to sell some of its shares” of Citigroup. Did Citigroup urge Treasury to sell its Citigroup shares in order to expedite its exit from TARP?

**Under EESA, as amended by the American Recovery and Reinvestment Act of 2009, subject to consultation with the appropriate Federal banking agency, Treasury is required to permit a TARP recipient to repay any assistance previously provided under the TARP to such financial institution.**

**Treasury has ongoing communication with the federal banking regulators on a variety of subjects. As part of that dialog, there were many conversations about TARP matters including how to unwind TARP and other programs of federal governmental assistance to the financial sector. After the stress test results were announced on May 7, 2009, Treasury officials encouraged the Federal Reserve, the FDIC and the OCC to develop and articulate the conditions that a bank would have to satisfy in order to be permitted to repay TARP assistance. Treasury urged the regulators to develop and communicate any such conditions or standards, so that banks wishing to repay could decide whether, how and when they could meet the standards. It was clear that a component of such standards would be the ability to raise private capital, and at that time the capital markets were still somewhat unstable and unpredictable. The conditions of the markets made it difficult for a bank to determine when there might be a window to raise capital. Treasury felt that it was particularly important, in light of these conditions, for banks to be able to know in advance what the standards they would need to meet to repay TARP capital were so that they could, if they wished, make plans to take advantage of any opportunities to raise private capital that might arise. Although in the course of the discussions Treasury was asked for and offered its opinions on proposed standards, the standards were determined by the regulators and Treasury deferred to their judgment as to what should be required.**

**Treasury had several conversations with the Federal Reserve and the FDIC regarding the desire of Citigroup to exit TARP. This was necessary in light of the fact that the assistance to Citigroup included the AGP, which could be terminated only by negotiation among the three federal entities and Citigroup. While the conditions that Citigroup had to meet to repay the \$20 billion in TARP assistance under the TIP were determined by the Federal Reserve and the FDIC, the terms under which the AGP was terminated were negotiated between Citigroup on the one hand and the three federal entities over the course of several conversations.**

**With respect to the sale of Citigroup shares, Treasury had made it clear prior to December of 2009 that it did not wish to be a shareholder in any private company**

**longer than is necessary. The exchange agreement between Citigroup and Treasury requires Citigroup to offer Treasury the opportunity to sell common shares whenever Citigroup is selling common shares in the public markets. Consistent with its obligations, Citigroup asked Treasury whether it wished to sell shares in the December offering as Citigroup initially expected there would be sufficient demand. Please also see our response to question 5.**

5. You testified that “in December Treasury announced that it expected to sell the Citigroup common shares it holds over the following 12 months.”
  - Why and how did Treasury settle on this time frame?
  - To what extent does this statement reflect Treasury’s estimate of the time it will take for the price of the institution’s common shares to rise to a level that would maximize value for taxpayers? To what extent does it reflect the desire to avoid the effect of a market overhang on the price Treasury will receive?

**Treasury is a reluctant shareholder in private companies and does not wish to own positions in companies longer than is necessary to fulfill its obligations under EESA. Treasury determined that, in light of market conditions and its statutory obligations under EESA, it was appropriate to target a twelve month period to dispose of its Citigroup common shares. These obligations include maximizing value to the taxpayer, minimizing any potential long-term negative impact on the taxpayer of the program and continuing at all times to promote financial stability. Treasury has testified on numerous occasions that the replacement of public capital with private capital was very much desirable and in the interest of broad financial stability. Treasury’s assessment is that proceeding on this course in this timeframe is the most responsible way to achieve these goals.**

6. The December 2009 share offering by Citigroup was one of the largest offerings in U.S. history.
  - Considering the huge number of outstanding shares of Citigroup and its low price (under \$5 per share), how much demand do you believe is left among institutions for Citigroup stock?
  - What was the cover ratio of the offering in December? Do you plan to encourage management to address the number of outstanding shares? If so, how?

**Please see our answer to question 5 as to how we determined the period over which we expect to sell Citigroup common shares. With respect to questions pertaining to the number of Citigroup shares, we note that [at the Citigroup Annual Meeting on April 20, 2010](#), the authority previously given to the board of directors to implement a reverse stock split was extended.**

## Treasury as a Shareholder

7. You testified that Treasury has taken a limited role as an investor in Citigroup. You stated that while Treasury does not get involved in the day-to-day management, it is active in voting for directors, in voting on major corporate events, in voting on issuance of significant new shareholdings, in approving major asset sales, and in voting on changes in by-laws or charter.
- Can you describe each of the votes that Treasury has taken as a shareholder of Citigroup? Specifically, on what major corporate events, major asset sales and changes in Citigroup's by-laws and charter has Treasury voted? How did Treasury vote? What person or persons at Treasury made these decisions? Are these votes made public? How? If they are not made public, how does the decision not to do so comport with Treasury's obligations of transparency and accountability under EESA?
  - With respect to Citigroup's board of directors, for which directors has Treasury voted? What person or persons at Treasury made these decisions? Did Treasury recommend or nominate any of Citigroup's current board of directors? Are these votes made public? How? If they are not made public, how does the decision not to do so comport with Treasury's obligations of transparency and accountability under EESA?
  - Has Treasury asked Citigroup to replace any of its directors? Has Treasury asked Citigroup to replace any of its senior management? Are these decisions made public? How? If they are not made public, how does the decision not to do so comport with Treasury's obligations of transparency and accountability under EESA?

**Treasury agreed to acquire Citigroup common shares in exchange for its preferred shares in June 2009 as part of Citigroup's efforts to strengthen its capital base. Pursuant to the Exchange Agreement that was entered into between Treasury and Citigroup at that time Treasury chose to limit its discretion to exercise its common stock voting rights in order to follow the U.S. Government's guiding principles with respect to the management of financial interests in private firms. Pursuant to the agreement, Treasury has the right to vote in its sole discretion on certain matters consisting of: (i) the election or removal of directors, (ii) the approval of any merger, consolidation, statutory share exchange or similar transaction that requires the approval of Citigroup's stockholders, a sale of all or substantially all of the assets or property of the company, and a dissolution of the company, (iii) the approval of any issuance of securities of the company on which holders of common stock are entitled to vote and (vi) the approval of any amendment to the charter or bylaws of the company on which holders of common stock are entitled to vote. On all other matters, Treasury has agreed with Citigroup that it will vote its shares in the same**



**proportion (for, against or abstain) as all other shares of the company's stock are voted with respect to each such matter.**

**Since that time, there have been no votes of common stockholders of Citigroup prior to the annual meeting on April 20, 2010. At that meeting, Treasury voted as described in a press release posted that same day copied below in its entirety<sup>1</sup>. The**

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<sup>1</sup> April 20, 2010  
TG-647

### **Treasury Announces Voting of Its Shares at Citigroup Annual Meeting**

**WASHINGTON** – The U.S. Department of the Treasury today announced that it has voted its approximately 7.7 billion shares of Citigroup Inc. common stock at the Citigroup Annual Meeting on held today. As part of the effort by Citigroup last year to strengthen its capital base, Treasury received common shares in exchange for preferred shares that Treasury had purchased when it invested in Citigroup pursuant to the Capital Purchase Program under the Troubled Assets Relief Program (TARP) in October 2008.

As we have previously stated, Treasury is a reluctant shareholder in private companies and intends to dispose of its TARP investments as quickly as practicable. When it acquired the Citigroup common shares, Treasury announced that it would retain the discretion to vote only on core shareholder issues, including the election of directors; amendments to corporate charters or bylaws; mergers, liquidations and substantial asset sales; and significant common stock issuances. At the time of the exchange, Treasury agreed with Citigroup that it would vote on all other matters proportionately--that is, in the same proportion (for, against or abstain) as all other shares of the company's stock are voted with respect to each such matter. Treasury is abiding by the same principles in the few other companies in which it owns common shares, which are very few, as most TARP investments were in the form of nonvoting preferred stock.

Treasury has exercised its discretionary voting power by voting only on matters that directly pertain to its responsibility under EESA to manage its investments in a manner that protects the taxpayer.

Treasury voted in favor of all 15 director nominees at the annual meeting. Since Treasury invested in Citigroup in the fall of 2008 through TARP, there has been a substantial change in the composition of the board. In the spring of 2009, when Treasury was considering whether to convert its CPP investment into common shares, Citigroup's Chairman assured Treasury that a majority of the board would be comprised of new, independent directors. Citigroup has now accomplished that task, as eight out of the fifteen directors have joined the board since that time.

Treasury also voted in favor of two Citigroup proposals that fall within its discretionary voting rights. One is to permit the company to issue common shares to settle \$1.7 billion of "common stock equivalent" awards to employees in lieu of cash incentive compensation. Citigroup committed to the Federal Reserve that it would issue such shares as part of the terms under which it was permitted to repay a portion of its TARP assistance last December. The second proposal is to permit a reverse stock split which will address the fact that the company has a much larger number of shares outstanding than is necessary to ensure adequate trading liquidity.

Treasury voted its shares proportionately with respect to all other issues on the ballot. These included two proposals to amend the charter and by-laws on matters of broader corporate governance. These proposals raise important issues of corporate governance that deserve careful consideration as a matter of public policy. Indeed, the Securities and Exchange Commission has promulgated a rule on proxy access and Treasury has expressed and will continue to express its views on many issues of corporate governance in connection with regulatory reform. However, Treasury believes that it would be inappropriate to use its power as a shareholder to advance a position on matters of public policy and believes such issues should be decided by Congress, the SEC or through other proper governmental forums in a manner that applies generally to companies. For this reason, and because voting on such matters was not necessary in order to fulfill its EESA responsibilities, Treasury refrained from exercising a discretionary vote.

Treasury also voted proportionately on the "say on pay" resolution, under which shareholders may cast an advisory vote as to whether they approve of Citigroup's 2009 executive compensation. The Treasury strongly supports the

**press release also provides an answer to your question about the board of directors. The Secretary approved the decisions with respect to the voting of Citigroup common shares.**

8. It is our understanding that the consulting firm McKinsey and Company produced an organizational study for Citigroup's Board of Directors in 2007.
  - Has Treasury seen this study? Has Treasury expressed an opinion (formally or informally) to Citigroup personnel about any aspects of the report or its recommendations?

**Treasury has not received a copy of this study or expressed any opinion about this study.**

#### Managing the Systemic Risk Posed by Citigroup

9. In response to questions regarding your role in monitoring Citigroup's financial health and systemic significance, you testified that your responsibilities were limited to managing the taxpayers' investments and recovering those investments as rapidly as possible. Notwithstanding ongoing legislative efforts to create a resolution authority for systemically significant failing institutions, you were unable to identify any efforts that the Treasury Department was currently engaged in to ensure that Citigroup does not once again threaten the stability of the financial system in a way that requires another taxpayer rescue.
  - Please clarify for the record what, if any, efforts the Office of Financial Stability, or any other office within Treasury, is making to monitor or control the risks created by the activities of Citigroup, or any other systemically significant financial institution, in order to ensure financial stability and to protect taxpayers? Please describe those efforts, and in particular, discuss the unique challenges and potential remedies for unwinding a foreign financial institution with significant U.S. operations or a U.S. financial institution with significant overseas operations.
  - Is Treasury coordinating with financial authorities and central banks from other countries to manage the global systemic risk posed by Citigroup and other

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concept that shareholders should have the ability to vote on executive compensation, and included the "say on pay" requirement in its regulatory reform legislative proposal. Treasury has the responsibility to oversee compensation for the highest paid employees at companies that received exceptional assistance under TARP, and the Office of the Special Master set the compensation (or the compensation structures) for the highest-paid 100 employees of Citigroup in 2009. Treasury's proportional vote enabled other Citigroup shareholders to have a more meaningful opportunity to vote on the say on pay resolution. Executive compensation matters are also outside of the core areas on which Treasury retained discretionary voting rights.

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institutions of comparable size and scope (as contemplated in section 112 of EESA)?

- Credit rating agencies continue to cite the potential for government support as a source of strength for maintaining a higher credit rating for Citigroup and other systemically significant firms than they would otherwise earn. What can the government do to add credibility to its contention that there is no implicit guarantee for these too-big-to-fail institutions? What metrics (e.g., comparison of debt spreads) best indicate the absence or reduced level of implied government support assigned by investors to too-big-to-fail institutions?

**The Office of Financial Stability (OFS) is responsible for implementing EESA. EESA provides to Treasury certain authorities that are to be used to promote the liquidity and stability of the U.S. financial system. Specifically, it authorizes Treasury to purchase and guarantee troubled assets held by financial institutions. Treasury has purchased securities of Citigroup pursuant to that authority where a determination was made, in consultation with the Chairman of the Federal Reserve, that such purchases were necessary to promote financial stability. EESA also gives Treasury the authority to manage any troubled assets so purchased, including in particular the authority to sell them.**

**EESA does not provide the OFS with authority to regulate Citigroup or any other institution. As a bank holding company, Citigroup is regulated and supervised by the Federal Reserve Bank of New York. Its nationally chartered subsidiary banks, such as Citibank, are regulated and supervised by the Office of the Comptroller of the Currency and the FDIC. Overseas branches of Citibank are regulated and supervised by the Federal Reserve and OCC and overseas subsidiary banks by the Federal Reserve. Such overseas branches and subsidiary banks are also regulated and supervised by regulatory authorities in the host countries.**

**EESA did not, nor was it meant to, change the structure of regulation of banking institutions. OFS's responsibility is to manage the investments it has made in Citigroup and other financial institutions. The responsibility for regulating Citigroup continues to rest with the federal banking regulators.**

**In exercising its duty to promote economic prosperity and ensure the financial security of the United States, including by protecting the critical infrastructure of the financial services sector, Treasury is in frequent contact with the federal banking regulators with respect to their activities to regulate the nation's financial institutions and such contact does and may include from time to time discussions pertaining to particular institutions. This is separate and apart from the execution of OFS's responsibilities under EESA.**

**Reform of our financial system is critical to ending the perception that some firms are "too big to fail." The Administration's proposal would make clear that no firm is "too big to fail" by constraining the size of the largest financial firms; and would**

**enhance the stability of our system by imposing higher capital and liquidity requirements on the largest, most interconnected firms; by prohibiting or restricting many of the riskiest financial activities; and by creating a mechanism for the government to unwind and breakup failing non-bank financial firms whose failure could threaten financial stability without precipitating a financial panic. These authorities would allow the FDIC to put a firm into receivership, would require that culpable management be fired, that equity holders are wiped out, and that creditors and the financial industry – not taxpayers – bear the cost. This provides a robust mechanism for resolving large, interconnected financial firms without jeopardizing the U.S. financial system. Moreover, the Administration has proposed a Financial Crisis Responsibility Fee to make sure that TARP does not cost the taxpayers, and to implement the principle that Wall Street – not taxpayers – must be on the hook for the cost of financial crises.**

**The actions taken to combat the financial crisis were, in part, the result of a fundamental failure of the structure of financial regulation. Regulators did not have the authority to properly monitor or constrain risk-taking at the largest firms. They did not have the tools to break apart or wind down a failing financial firm without putting the entire financial system at risk. We should not wait for the next crisis before enacting the obvious, common sense reforms we need. And in mitigating the risk to U.S. financial stability the same mechanism will also significantly mitigate the contagion risk associated with the failed firm’s cross-border contractual obligations.**

**Section 112 of EESA requires the Secretary of the Treasury “to coordinate, as appropriate, with foreign financial authorities and central banks to work toward the establishment of similar programs by such authorities and central banks.”**

**The Administration is working through multilateral institutions and through direct bilateral engagement to promote financial regulatory reform and to encourage programs to improve the stability of world financial markets and institutions.**

**The G20 Leaders process is the key channel for international cooperation to strengthen the framework for supervising and regulating the financial markets. Through this process, G-20 leaders have agreed to the substantial work program being undertaken by international standard setting bodies and regulatory and supervisory authorities.**

**The G20 Leaders at the London Summit established the Financial Stability Board (FSB) with a broad mandate to coordinate at the international level the work of national financial authorities and international standard setting bodies in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. In collaboration with the international financial institutions, the FSB is addressing vulnerabilities affecting financial systems in the interest of global financial stability. Treasury, the Federal Reserve and the SEC are members of the FSB.**

**At the direction of the G20 Leaders, the Basel Committee on Banking Supervision (BCBS) is working urgently to strengthen international standards for supervision, capital, liquidity and leverage that will support the banking system and constrain the procyclical build-up of leverage in the system. Currently the BCBS is conducting a quantitative impact study and a calibration exercise to adjust and refine international standards by end of 2010 that will increase the quantity and quality of bank capital.**

**Additionally, two international initiatives are underway to improve multinational bank resolution frameworks, namely the Cross-Border Bank Resolution Group (CBRG) of the BCBS and the initiative by the International Monetary Fund (IMF) and the World Bank on the legal, institutional and regulatory framework for national bank insolvency regimes. The CBRG has proposed improvement of national systems and convergence of national laws as the most effective way forward. Accordingly, a number of countries are assessing their systems and the European Commission has proposed a framework of reforms based on the recommendations of the IMF and the CBRG.**

**In sum, efforts are being made to strengthen regulatory capital and liquidity requirements; improve risk management; heighten disclosure and accountability; raise accounting standards; regulate previously unregulated financial markets, products and institutions; and establish international core principles on deposit insurance. The Administration continues to work with its international counterparts to strengthen their national systems for resolution, and to strengthen mechanisms for international coordination.**

### Mortgage-Backed Securities

10. During the calendar year 2009, did TARP recipients sell any mortgage-backed securities to the Federal Reserve, the Treasury, or Fannie Mae or Freddie Mac?
- Did the price the sellers received for the securities approximate the fair market value at the time of the sale? Did those recipients use such securities as collateral for loans from the Federal Reserve? At what value?
  - What “haircut” was required for such loans? Have the amounts of the relevant sales and loans been made public? How?
  - If they have not been made public, how does the decision not to do so comport with Treasury’s obligations of transparency and accountability under EESA?

**Although EESA authorizes the purchase of mortgage-backed securities (MBS), Treasury decided not to directly purchase MBS under that authority. Pursuant to the Legacy Securities Public-Private Investment Program (“PPIP”), Treasury makes equity investments in, and provides term debt financing to, limited liability**

partnerships that invest in non-agency residential MBS (i.e., MBS that are not guaranteed by Fannie Mae or Freddie Mac) and commercial MBS that are purchased from the market, often through a bid wanted in competition or “BWIC” process. Eligible sellers of these securities to the partnerships may include TARP recipients as well as other financial institutions as defined in EESA. Treasury receives reports from the PPIP fund managers of these partnerships (including details of securities transactions) and has published information on aggregate portfolio holdings in the program, including a range of market prices of MBS, on [financialstability.gov](http://financialstability.gov). Treasury has determined that identifying the individual purchase prices paid by the partnerships for particular MBS might, among other things, allow other sophisticated market participants to reverse engineer each of our partnership’s investment strategies and “front run” investments made by PPIP fund managers, negatively impacting not only the investment returns to the American taxpayer, but also the goals of the program more generally. Therefore, Treasury has not reported such details on an asset by asset basis at this time, but may do so in the future if it determines that doing so won’t harm the program.

In addition, Congress granted Treasury authority to purchase obligations and securities issued by Fannie Mae and Freddie Mac, which includes GSE-guaranteed MBS, in the Housing and Economic Recovery Act of 2008 (HERA). The authority expired on December 31, 2009. The purpose of the GSE MBS purchase program was to promote liquidity in the mortgage market and, thereby, affordable homeownership by stabilizing the interest rate spreads between mortgage rates and Treasury issuances. Treasury purchased \$225 billion in GSE MBS under its HERA authority through December 31, 2009. It is not the practice of Treasury to publicly disclose the identity of the sellers.

Treasury does not have information regarding MBS purchases by the Federal Reserve, Fannie Mae or Freddie Mac.

#### Citigroup’s Financial Position

11. Has the Administration considered what effects the “Volcker Rule” would have on Citigroup’s business and prospects? If so, then what are these effects?

**The Administration does not publicly discuss the impacts of particular proposed reforms on specific financial institutions.**