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M Chipega Letter to Gary Cohen re Use of O'Neal Quotes

Michael Chepiga

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December 17, 2010

Re: Commission Letter to E. Stanley O'Neal
re: Potential Use of Quotes

Gary J. Cohen, Esq.
General Counsel
Financial Crisis Inquiry Commission
1717 Pennsylvania Avenue, NW
Suite 800
Washington, DC 20006-4614

Dear Mr. Cohen:

I write in response to the Commission's December 15, 2010 letter to Mr. E. Stanley O'Neal. Mr. O'Neal objects to the use of quotes from his September 16, 2010 interview with Commission staff to the extent these quotes are not placed in the appropriate context.

The Commission's letter provides no information regarding how it may use Mr. O'Neal's statements in its Report. Without providing the necessary context in which the quotes will be used, the selected quotes are potentially misleading. For example, with respect to the first statement in the Commission's letter,¹ the audio-tape recording of the interview reflects that Mr. O'Neal made this statement in the context of his experience as CFO of Merrill Lynch during the 1998 financial crisis and not the recent financial and economic crisis being examined by the Commission.

¹ "For Stanley O'Neal, then Merrill's CFO, the experience was 'indelible.' He remarked to the FCIC, 'I took away from it that had the market seizure and panic lasted longer, there would have been a lot of firms that would have been irrevocably harmed. Merrill would have been one of them.'"

The second statement in the Commission's letter,² should also be placed in context. Mr. O'Neal during his interview recalled that a July 2007 presentation to the Finance Committee of Merrill's Board provided estimates of potential ABS/CDO losses that were "relatively small" and "modest" and therefore did not sound any "alarm bells." To the extent the Report does not relate Mr. O'Neal's comments to that July 2007 presentation or suggests that Mr. O'Neal stated (or suggested) that this presentation was not based on the best information available to the company at that time, this would be both inaccurate and misleading.

Mr. O'Neal also objects to the third statement in the Commission's letter that he "told the FCIC that the losses increased over the three months following the July presentation."³ Mr. O'Neal explained to Commission staff that the company's estimates of losses, based on assumptions in models, grew during this time and, as a result, the company decided to pre-announce its estimated write-down before the end of the quarter. As the assumptions underlying these models changed and became more negative given market disruptions, the estimates grew.

To the extent that the Commission includes these direct quotes or paraphrases any of these quotes in its Report, Mr. O'Neal objects to any use in a manner that is inaccurate or misleading or does not adequately describe the context in which these statements were made.

² "O'Neal said he was surprised about the retained positions but stated that the presentation, analyses, and estimation of potential losses were not sufficient to sound 'alarm bells.'"

³ Mr. O'Neal further objects to the following quotation in the Commission's letter, "I had a dawning awareness over the course of the summer and through September as the size of the losses were being estimated." As reflected in the audio-tape recording of the interview, Mr. O'Neal's statement was, "It was a dawning awareness over the course of the summer and through September as the size of the losses that were being estimated grew."

Gary J. Cohen, Esq.

-3-

December 17, 2010

Very truly yours,


Michael Chepiga

cc: Cassidy Waskowicz
Sarah Knaus
Sarah Zuckerman