Agenda for Financial Crisis Inquiry Commission Closed Session
Meeting on Tuesday, November 17, 2009

Phillip Angelides
Thomas Greene
Scott Ganz
Michael L. Mayo
Bill Thomas

See next page for additional authors
Author/Creator
Phillip Angelides, Thomas Greene, Scott Ganz, Michael L. Mayo, Bill Thomas, Brooksley Born, Byron
Stephen Georgiou, Bob Graham, Keith Hennessey, Douglas Holtz-Eakin, Heather Murren, John W.
Thompson, and Peter J. Wallison
Agenda for Financial Crisis Inquiry Commission Closed Session Meeting of  
Tuesday, November 17, 2009  
8:45am-2:30pm EDT  
FCIC Offices  
1717 Pennsylvania Avenue, NW, Suite 800  
Washington, DC 20006  

8:45-9:00am  Assemble and Call to Order  
9:00-10:00am  Presentation by/Discussion with Secretary Timothy Geithner  
10:00-12:00pm  FCIC Business Matters  
12:00-1:00pm  Lunch  
1:00-2:30pm  Presentation by/Discussion with Chairman Ben Bernanke

---

### Agenda Item

1) Call to Order

2) Roll Call

3) Presentation by/Discussion with Timothy Geithner, Secretary of the Treasury  
   *(Profile Attached)*

4) Approval of Minutes of Closed Session Meeting of October 20, 2009  
   *(Attached)*

5) Executive Director’s Report; Personnel Update; Introductions of Staff

6) Review of Draft FCIC Budget  
   *(Materials forthcoming)*

7) Update on Work Plan and Next Steps  
   *(Attached and Materials forthcoming)*

8) Report to Commission re: Legislative Update

9) Other Items of Business

10) Break for Lunch (12:00-1:00pm)
11) Presentation by/Discussion with
   Ben Bernanke, Chairman of the
   Board of Governors of
   the Federal Reserve System
   (Profile Attached)

12) Adjournment
    Chairman Angelides
On January 26, 2009, Timothy F. Geithner was sworn in as the 75th Secretary of the United States Department of the Treasury in a ceremony attended by President Barack H. Obama, and Vice President Joseph R. Biden Jr.

Before his nomination to the Treasury, Secretary Geithner served as the ninth president and chief executive officer of the Federal Reserve Bank of New York, where he began on November 17, 2003. In that capacity, he served as the vice chairman and a permanent member of the Federal Open Market Committee, the group responsible for formulating the nation's monetary policy.

Secretary Geithner first joined the Department of Treasury in 1988 and worked in three administrations for five Secretaries of the Treasury in a variety of positions. He served as Under Secretary of the Treasury for International Affairs from 1999 to 2001 under Secretaries Robert Rubin and Lawrence Summers.

He was director of the Policy Development and Review Department at the International Monetary Fund from 2001 until 2003. Before joining the Treasury, Secretary Geithner worked for Kissinger Associates, Inc.

Secretary Geithner graduated from Dartmouth College with a bachelor’s degree in government and Asian studies in 1983 and from the Johns Hopkins School of Advanced International Studies with a master’s in International Economics and East Asian Studies in 1985. He has studied Japanese and Chinese, and has lived in East Africa, India, Thailand, China and Japan.

He and his wife, Carole Sonnenfeld Geithner, have two children.
Financial Crisis Inquiry Commission
Agenda Item 4 for Closed Session Meeting of November 17, 2009

DRAFT Minutes of Closed Session Meeting
Tuesday, October 20, 2009

Agenda Item 1: Call to Order

Chairman Angelides called the closed session meeting to order.

Agenda Item 2: Roll Call

Chairman Angelides asked Ms. Gretchen Newsom to call the roll of Commissioners: Present were Phil Angelides, Bill Thomas, Brooksley Born, Byron Georgiou, Bob Graham, Keith Hennessey, Doug Holtz-Eakin, Heather Murren, John Thompson and Peter Wallison.

Also participating in the meeting: Tom Greene, Executive Director; Gretchen Newsom and Rob Bachmann, assistants to Chairman Angelides; and, Scott Ganz and Courtney Mayo, assistants to Vice Chairman Thomas.

Agenda Item 3: Approval of Minutes of Closed Session Meeting, September 16, 2009

Chairman Angelides introduced minutes from the FCIC meeting of September 16, 2009.

MOTION: Thompson moved and Born seconded a motion to adopt the minutes (see attached).

APPROVED: Motion passed 10-0.

Agenda Item 4: Approval of Minutes of Public Meeting, September 17, 2009

Chairman Angelides introduced minutes from the FCIC public meeting of September 17, 2009.

MOTION: Georgiou moved and Holtz-Eakin seconded a motion to adopt the minutes (see attached).

APPROVED: Motion passed 10-0.
**Agenda Item 5: Extension of Delegation of Authority**

Chairman Angelides requested an extension of delegation of authority through December 31, 2009.

**MOTION:** Wallison moved and Thompson seconded a motion to adopt the extension of delegation authority (see attached).

**APPROVED:** Motion passed 10-0.

**Agenda Item 6: Report to Commission re: Legislative Calendar and Schedule, Executive Director Tom Greene**

Mr. Greene briefed the Commission on possible, upcoming pieces of legislation expected in House and Senate Committees, as well as Congress in general. Mr. Greene also discussed Capitol Hill meetings he attended last week.

**Agenda Item 7: Executive Director’s Report, Tom Greene**

Mr. Greene provided an update on personnel, office furniture, email addresses and the website.

**Agenda Item 8: Review and Discussion of Preliminary Draft Work Plan**

Chairman Angelides introduced a draft work plan for the FCIC. There was broad discussion with all Commissioners and Mr. Greene.

Commissioners paused this discussion to break for the first panelists and continued this discussion during the lunch break. Commissioners agreed to have their comments and suggestions incorporated into the draft work plan and for Tom Greene to electronically distribute a revised draft for consideration.

**Agenda Item 9: Other Items of Discussion or Business**

Chairman Angelides brought up inviting Professor David Moss of Harvard Business School and Professor Carmen Reinhart of the University of Maryland to the next Commissioner dinner to discuss historical perspectives of financial crises.

**Agenda Item 10: Roundtable I**

Chairman Angelides introduced the following panelists: Martin Baily, Senior Fellow in Economic Studies, The Brookings Institution; Simon Johnson, Ronald A. Kurtz Professor of Entrepreneurship, Sloan School of Management, Massachusetts Institute of Technology; and Hal S. Scott, Nomura Professor and Director of the Program on International Financial Systems, Harvard Law School. The panelists presented their perspectives on the financial crisis and answered questions from the Commission.
**Agenda Item 11: Break for Lunch**

The Commission had a working lunch and continued discussion of the draft work plan.

**Agenda Item 12: Roundtable II**

Chairman Angelides introduced the following panelists: Luigi Zingales, Robert C. McCormack Professor of Entrepreneurship and Finance and the David G. Booth Faculty Fellow, Booth School of Business, University of Chicago; John B. Taylor, Mary and Robert Raymond Professor of Economics and the Bowen H. and Janice Arthur McCoy Senior Fellow at the Hoover Institution, Stanford University; and Joseph Stiglitz, Professor, Columbia Business School, Graduate School of Arts & Sciences (Department of Economics) and the School of International and Public Affairs, Columbia University. The panelists presented their perspectives on the financial crisis and answered questions from the Commission.

**Agenda Item 13: Adjournment**

Chairman Angelides requested a motion to adjourn the meeting.

**MOTION:** Wallison moved and Graham seconded a motion to adjourn the meeting.

**APPROVED:** Motion passed 10-0.
Financial Crisis Inquiry Commission
Agenda Item 4 for Closed Session Meeting of November 17, 2009
Minutes of Closed Session Meeting
Tuesday, October 20, 2009

ATTACHMENT
Approved Minutes of Closed Session Meeting
Wednesday, September 16, 2009

Agenda Item 1: Roll Call

Chairman Angelides asked Ms. Gretchen Newsom to call the roll of Commissioners: Present were Phil Angelides, Bill Thomas, Brooksley Born, Byron Georgiou, Bob Graham, Doug Holtz-Eakin, Heather Murren, John Thompson and Peter Wallison. Keith Hennessey was absent.

Also participating in the meeting were: Irv Nathan, General Counsel to the House of Representatives, Ariel Waldman, and other staff; Tim Blodgett, Chief Administrative Counsel, and Walt Edwards, Deputy Chief Administrative Officer, of the House Chief Administrative Officer; Blake Chisam, Staff Director and Chief Counsel, and Peg Perl, Stan Simpson, and Donald Sherman of the House Committee on Standards of Official Conduct; Thomas Greene, Executive Director, FCIC; Gretchen Newsom, assistant to Chairman Angelides; and Scott Ganz, assistant to Vice Chairman Thomas.

Chairman Angelides and Vice Chairman Bill Thomas made welcoming remarks, brief introductions, and opening comments about the work of the Commission.

Agenda Item 2: Approval of Minutes of Meeting, August 19, 2009

Chairman Angelides introduced minutes from the FCIC meeting of August 19, 2009.

MOTION: Thompson moved and Graham seconded a motion to adopt the meeting minutes (attached).

APPROVED: 9-0.

Agenda Item 3: Ratification of Commission Rules and Procedures

Chairman Angelides proposed ratifying the rules and procedures (attached), which were tentatively adopted at the August 19, 2009 meeting, with a proposed, technical amendment (attached). Mr. Nathan explained the amendment to the Commissioners.

MOTION: Holtz-Eakin moved and Georgiou seconded a motion to accept the proposed rules with the amendment.
Agenda Item 4: Proposed Whistle Blower Protections

Chairman Angelides, at the request of Keith Hennessey, proposed rules for Whistle Blower Protection (attached). Mr. Nathan explained the proposed rules to the Commissioners.

MOTION: Murren moved and Graham seconded the motion to accept the rules on Whistle Blower Protection.

APPROVED: 9-0.

Agenda Item 5: Administrative and Personnel Update

Chairman Angelides and Vice Chairman Thomas provided an update on the FCIC Office location; the organization of the Commission; and future FCIC meetings.

Chairman Angelides introduced Executive Director, Thomas Greene, to the Commissioners. Tom Greene introduced himself and addressed the Commissioners and touched on his outlook for FCIC in the next 30-90 days.

Agenda Item 6: Extension of Delegation Authority

Chairman Angelides asked for an extension of delegation authority through October 31, 2009.

MOTION: Graham moved and Holtz-Eakin seconded to approve the extension of delegation authority (attached).

APPROVED: 9-0.

Agenda Item 7: Donations of Goods and Services – Legal Opinion and Delegation of Authority

Chairman Angelides introduced Peg Perl of House Committee on Standards of Official Conduct and Tim Blodgett who addressed the Commissioners on federal solicitation rules. Chairman Angelides indicated that Mr. Greene would return with specific recommendations on this item once a General Counsel was in place.

Agenda Item 8: Initial Discussion of Ethics Rules

Chairman Angelides and Commissioners continued their ethics discussion and will follow-up on this topic in the future. Chairman Angelides indicated that Mr. Greene would return with specific recommendations on this item once a General Counsel was in place.
Agenda Item 9: Other Items of Business

No other items of business were presented before the Commission.

Agenda Item 10: Recess until Dinner at 7PM

Chairman Angelides called for a recess of meeting, at 5:56PM, until the 7PM dinner.

Agenda Item 11: Dinner and Agenda Item 12: Discussion of Commission Scope of Work, Work Plan, and Timeline

The Commission met over dinner and discussed the Commission’s scope of work, work plan, and timeline.

Agenda Item 13: Adjournment

Chairman Angelides adjourned the meeting without any dissent from the Commission.

MINUTES APPROVED: 10-0, October 20, 2009
Financial Crisis Inquiry Commission  
Agenda Item 4 for Closed Session Meeting of November 17, 2009  
Minutes of Closed Session Meeting  
Tuesday, October 20, 2009

ATTACHMENT
Approved Minutes of Public Meeting  
Thursday, September 17, 2009  
9:00-11:30am EDT  
Longworth House Office Building, Hearing Room 1310, Washington, DC

**Agenda Item 1: Roll Call**

Chairman Angelides called the meeting to order. All Commissioners were present, including Commissioners Born, Hennessey, Georgiou, Graham, Vice Chairman Thomas, Murren, Holtz-Eakin, Thompson, and Wallison.

**Agenda Item 2: Welcome and Introductions**

Chairman Angelides gave opening remarks about the Commission’s work and mission, and acknowledged Vice Chairman Thomas for his efforts to date.

**Agenda Item 3: Announcements**

Chairman Angelides announced the Commission’s appointment of Thomas Greene (present) as Executive Director of the Commission.

Chairman Angelides stated that the Commission has adopted rules of procedures, which specifically include whistleblower protections.

**Agenda Item 4: Statements by Commissioners**

Each commissioner gave individual opening remarks.

**Agenda Item 5: Discussion of Commission Scope of Work, Work Plan, and Timeline**

Chairman Angelides emphasized the urgency of the work, noting the importance of the commission’s work for policy makers and the public.

Chairman Angelides noted that he and Vice Chairman Thomas have met with the chairs and ranking members of the relevant committees of jurisdiction in the House and Senate.
Vice Chairman Thomas introduced Gretchen Newsom and Scott Ganz as members of the commission’s staff. The Vice Chairman also stated that the commission’s office in Washington, DC will soon be up and running with a website, contacts, and information.

Chairman Angelides and Vice Chairman Thomas expressed thanks to the staff of the Chief Administrative Office of the House, the House Counsel, the House Committee on Standards of Official Conduct, and the staff of the commission.

Chairman Angelides outlined part of the commission’s schedule, highlighting the end of October as the goal for having in place key leadership staff, and noting that in the next 30 days, the commission’s staff will present the commission with a fuller timeline that, once complete, will be presented to the public.

The Chairman stated that it is expected that, before the end of this year, the inquiry will be fully underway, with public hearings to be held by December.

**Agenda Item 6: Other Items of Business**

There were no other items of business.

**Agenda Item 7: Adjournment**

Chairman Angelides requested a motion to adjourn the meeting.

MOTION: Thomas moved and Wallison seconded a motion to adjourn the meeting.

APPROVED: 10-0.

MINUTES APPROVED: 10-0, October 20, 2009
Delegation to execute agreements and contracts on behalf of the Financial Crisis Inquiry Commission

Pursuant to the authority set forth in Public Law 110-21(d)(3) that allows the Financial Crisis Inquiry Commission to enter into contracts to enable the Commission to conduct its business; and,

Now after a quorum of the Financial Crisis Inquiry Commission has been established; and,

After a vote of the Commissioners present and voting; it is

Hereby delegated to the Chairman of the Commission the authority to enter into agreements on behalf of the Financial Crisis Inquiry Commission in order to facilitate the work of the Commission. This delegation is effective until December 31, 2009, unless revoked earlier.

The Chairman may delegate this authority to the Vice-Chairman in order to expedite the business of the Commission. If the Chairman does delegate to the Vice-Chairman, the delegation shall remain in effect until December 31, unless revoked earlier.

In addition, any actions taken by the Chairman and the Vice-Chairman in order to establish the Commission, and agreements signed by the Chairman or the Vice-Chairman, are hereby ratified by the Commission.

APPROVED: 10-0, October 20, 2009
I. Principles

The following are the principles that should guide the work of the commission as it undertakes its inquiry.

- The commission should provide the public, policy makers, regulators, and market participants with a better understanding of the causes of the financial crisis.
- The work of the commission should be based on evidence facts, not opinion, with a rigorous process to ensure the validity and accuracy of facts and evidence.
- The report of the commission should be an unbiased historical accounting of the policies, events, and practices that contributed to the financial crisis. It will be based on a thorough review and analysis of all known, credible sources and work already done coupled with an aggressive investigation which uncovers new, critical facts and evidence.
- The goal of the commission will be to pursue facts and evidence as needed to conduct a full and thorough inquiry through strategic investigative techniques, including if necessary, the use of compulsory process.
- The commission will present its work in a clear, understandable, and compelling manner. That work will include a treatment of the larger forces that drove the crisis as well as real and tangible examples of the practices that existed in the marketplace that also helped bring about the crisis.
- The products of the inquiry will include the final report, interim reports, public hearings, and video materials. The commission will use traditional media, new media, and the web to maximize the accessibility to its work.

II. Outline of the Commission’s Report

What follows is a working outline of the Commission’s report. This outline is designed to provide a logical sequence of chapters and to provide an overall framework for the Commission’s report, consistent with the spirit and intent of
the statute and to logically categorize the specific areas of examination called out in the statute. Specific examples of the practices and actions taken by institutions and individuals at all levels of the marketplace will be woven throughout the narrative.

It should be noted that while each specific statutory study area is listed once, a number of areas of examination will in all probability be covered in more than one section, given the interconnected nature of the issues to be examined. In addition, this outline is not meant to draw conclusions but rather attempts to create an initial structure for the ultimate framework of the report. In addition, as indicated in Section III, while this outline suggests an initial conceptual approach to the report, staff will move forward on the various “chapters” of this report concurrently given the timeframe for completion of the Commission’s work. Indeed, the commission’s hearings and interim reports may not proceed in the same sequence as the outline. Finally, it is recognized that this work plan will evolve as the inquiry proceeds and as investigative results warrant.

- **The Crisis.** This section will describe the nature of the financial and economic crisis - from the build up to the cataclysmic events of 2007 and 2008 to the downward spiral in the financial sector to the economic and social consequences of the crisis, in relation to both its impact on the macroeconomy and on individual households. This includes widespread housing defaults and foreclosures; failure and near failure of financial institutions; impairment of credit markets; loss of asset values; and dramatic increases in unemployment.

  After describing the crisis, the report would go back to “trace the fuses that set off the explosion.”

- **The Backdrop.** This section would examine the underlying macroeconomic, microeconomic, policy, and regulatory framework as it existed and evolved over the past three decades, with a particular focus on the period of decade of the ‘90’s to the present. It would examine, among other things, the changing contour of the U.S. and global economies, monetary policy, the changing shape of the financial system, changes in financial market and business practices and associated changes in financial incentives, and changes in law and regulation affecting the financial sector. The statutory provisions examined in this section would include:

  i. “The global imbalance of savings, international capital flows, and fiscal imbalances of various governments” (Public Law 111-21, § 5(c)(1)(e));

  ii. “Monetary policy and the availability and terms of credit” (Public Law 111-21, § 5(c)(1)(d));
iii. “Affiliations between insured depository institutions and securities, insurance, and other types of nonbanking companies” (Public Law 111-21, § 5(e)(1)(j));

iv. “Tax treatment of financial products and investments” (Public Law 111-21, § 5(e)(1)(f)); and

v. “The concept that certain institutions are `too-big-to-fail' and its impact on market expectations” (Public Law 111-21, § 5(e)(1)(k)).

- **Home Mortgages/Real Estate Lending.** This section would examine the development and evolution of the single family housing/mortgage market, including but not limited to the dramatic explosion of subprime lending; the role of Fannie Mae, Freddie Mac, investment banks, and other home mortgage lending entities; practices ranging from origination through securitization; and fraud in this sector; and the role and the responses of regulators. For the purposes of this initial outline, this section would also examine the commercial real estate sector, although this subject would probably be treated separately in the final report. This section would cover the following statutory sections:

  i. “Fraud and abuse in the financial sector, including fraud and abuse towards consumers in the mortgage sector” (Public Law 111-21, § 5(e)(1)(a));

  ii. “Lending practices and securitization, including the originate-to-distribute model for extending credit and transferring risk” (Public Law 111-21, § 5(e)(1)(i));

  iii. “The legal and regulatory structure of the United States housing market” (Public Law 111-21, § 5(e)(1)(o)); and

  iv. “Financial institutions and government-sponsored enterprises” (Public Law 111-21, § 5(e)(1)(u)).

- **Financial Products and Practices** This section will look at the financial market practices and financial products, beyond those covered in the section above, which may have driven, contributed to, or amplified the financial crisis. This section will examine, among other things, derivatives including credit default swaps, compensation practices, leverage, creation of off-balance sheet entities, short selling, and fraud. This section will also examine the breakdown of corporate risk management mechanisms and practices and how they might have exacerbated the crisis, as well as the role and responses of regulators. This section will be closely related to the above section on housing and commercial real estate given the interconnection between the subject matters. Statutory provisions covered would include:

  i. “Derivatives and unregulated financial products and practices, including credit default swaps” (Public Law 111-21, § 5(e)(1)(p));

  ii. “Financial institution reliance on numerical models, including risk models and credit ratings” (Public Law 111-21, § 5(e)(1)(r));

  iii. “Short-selling” (Public Law 111-21, § 5(e)(1)(q));
iv. “Compensation structures” (Public Law 111-21, § 5(e)(1)(n));
v. “Changes in compensation for employees of financial companies, as compared to compensation for others with similar skill sets in the labor market” (Public Law 111-21, § 5(e)(1)(n));
vi. “Corporate governance, including the impact of company conversions from partnerships to corporations” (Public Law 111-21, § 5(e)(1)(l)); and
vii. “The quality of due diligence undertaken by financial institutions” (Public Law 111-21, § 5(e)(1)(v)).

- **The Protectors Backstops.** This section will examine the role of regulators as the crisis developed and gained steam, supplementing the narratives included in the above sections. It will investigate the actions or inactions of key public entities charged with regulating the marketplace including, but not limited to, the Federal Reserve, the SEC, the various bank and thrift regulators, OFHEO/FHFA, and the CFTC – looking at how such regulatory bodies may have failed or been derelict in their duties, been constrained from fulfilling their responsibilities, or acted in a manner that may have contributed to the crisis. It will analyze a range of matters including, but not limited to, the legal authority of such entities; the effectiveness and independence of enforcement; the adequacy of resources; the structural deficiencies in the regulatory regime; issues of regulatory arbitrage as between countries and as between regulatory entities; and the knowledge and actions of the regulators as the crisis unfolded.

Statutory areas of study would include:

i. “Federal and State financial regulators, including the extent to which they enforced, or failed to enforce statutory, regulatory, or supervisory requirements” (Public Law 111-21, § 5(e)(1)(b));
ii. “Capital requirements and regulations on leverage and liquidity, including the capital structures of regulated and non-regulated financial entities” (Public Law 111-21, § 5(e)(1)(g));
iii. “The legal and regulatory structure governing financial institutions, including the extent to which the structure creates the opportunity for financial institutions to engage in regulatory arbitrage” (Public Law 111-21, § 5(e)(1)(s)); and
iv. “The legal and regulatory structure governing investor and mortgagor protection” (Public Law 111-21, § 5(e)(1)(t)).

In addition to the examination of regulatory bodies, this section will probe the role of third party entities such as credit rating agencies, accounting firms, and law firms with key marketplace responsibilities. This would encompass the following statutory provisions:

i. “Credit rating agencies in the financial system, including reliance on credit ratings by financial institutions and Federal financial regulators, the use of credit ratings in financial regulation, and the
use of credit ratings in the securitization markets’’ (Public Law 111-21, § 5(e)(1)(h)); and
ii. “Accounting practices, including, mark to market and fair value rules, and treatment of off-balance sheet vehicles’’ (Public Law 111-21, § 5(c)(1)(e)).

- **The Fate of Major Financial Institutions** After tracing the course of the financial crisis, the report will catalogue the fate of major financial institutions in the context of the crisis (See Section III below re: designation of major financial institutions for the purposes of the Commission’s inquiry). This examination is consistent with the statutory mandate “to examine the causes of the collapse of each major financial institution that failed (including institutions that were acquired to prevent their failure) or was likely to have failed if not for the receipt of exceptional Government assistance from the Secretary of the Treasury during the period beginning in August 2007 through April 2009.”

- **The Aftermath.** This section will provide an update, as of the final writing of the report, on the status of the practices and policies identified in the report as key contributors to the financial and economic crisis. For example, this section would identify the change or lack of change in areas such as regulations, compensation practices, risk management practices, and financial products to the extent those items were identified as factors in the crisis.

- **Conclusions and Recommendations.** This section will contain the report’s findings and conclusions as well as recommendations, to the extent that the Commission chooses to make such recommendations. However, we can conclude our report with a set of recommendations.

### III. Preliminary Work Plan

Below is a preliminary overview of the Commission’s work plan.

- **Strategy.** The commission is charged with the obligation to review and report on the causes of on twenty-two specific issues that may have helped trigger or accelerate the financial crisis. The commission is also obligated to examine the “‘causes of the collapse of each major financial institution that failed (including institutions that were acquired to prevent failure) or was likely to have failed if not for the receipt of exceptional Government assistance” (Public Law 111-21, § 5(c)(2)). This suggests that the commission should pursue a parallel, two-track approach to its work. Track one – which will provide the framework of the Commission’s report – will focus on the larger trends and developments that drove the crisis. Track two will focus on the actions and roles of specific
institutions that contributed to the crisis in the context of the larger framework.

Squaring these two approaches is possible by examining specific institutions and their actions, while putting those actions in the broader context of the factors that appear to have triggered and accelerated the crisis. Although not without challenges, this approach—an institution-centric track—has at least four major advantages: (1) major questions about the causes of the crisis will be examined in the real world of real entities, allowing the commission to test common assumptions about the crisis; (2) the issues will be dramatically illuminated by the actions and testimony of real actors in the marketplace; (3) a series of case studies of specific institutions, private and public, will allow the commission to uncover common threads of causation; and (4) such an approach will illustrate how firms interacted with operated in their regulatory environment.

Investigative Steps. As the staff undertakes the research and analysis needed to review the matters outlined in Section II, it will concurrently examine specific institutions. This approach is consistent with our goal to look at the broad drivers of the crisis as we conduct a “deep dive” into specific institutions to determine the ground truths of the crisis.

Practically, the commission does not have enough time or resources to do full-blown examinations of all a large number of the entities that may be within its purview so it should begin by profiling the most important entities for examination. These entities must be identified early and must be selected utilizing a rational and supportable methodology.

Once an entity has been selected, the staff will begin with This should start with a searching profile of what is publicly known about each entity. As patterns emerge by firm or regulatory entity, e.g., the effect of compensation practices on risk-taking in the case of firms or potentially inadequate disclosures of risk in the case of a regulator, further investigative steps can be implemented. These steps may include, among other things, targeted document retention letters; interviews of risk officers; interviews of current and former high-level officials or executives; letter requests for documents and e-mails followed, if necessary, by subpoenas for these materials and testimony.

Against these profiles, we will want to lay information on what the respective boards of selected companies were doing; what the accountants were saying and doing; what the company was disclosing; and what regulators were doing or not doing. Throughout this process, we will take advantage of work that has already been done by, among others,
congressional committees, GAO, financial regulators, scholars and the press.

• **Hearings.** Based on the examinations above, the commission should select firms and regulatory (or quasi-regulatory) entities for case studies in public hearings.

Once a specific firm or combination of firms has been selected to illustrate activities in a particular part or multiple parts of the market, we will want to put this firm in the context of its business and regulatory environment and of the marketplace - as a whole.

This examination should include testimony on the nature of the business, including suppliers and customers; rating agencies; accountants and regulators; other market participants (e.g. analysts, hedge fund managers, short sellers, etc.); and other firms (e.g. firms which engaged in best practices). Although it is too early to forecast the contours of specific hearings, possible examples include:

i. A mortgage originator/bundler and a securitizer;
ii. A national bank or banks;
iii. An investment bank or banks;
iv. One or both major government-sponsored home lending institutions; and
v. A risk insurer.

In addition to examinations of firms at different levels of the financial system, we also need to more deeply examine the “protectors/backstops” that had independent obligations to safeguard the financial system. This suggests additional hearings on:

i. Rating agencies;
ii. Accountants/Auditors; and
iii. Regulators.

This means that the commission will be conducting as many as eight major hearings within approximately nine months. Such hearings may be held in various locations as appropriate, consistent with accessibility of the hearings to the public. At the same time, as indicated above, our writing staff, including our researchers, will be generating first drafts of chapters for the report and supplying information to the Commission and to the public in the form of interim reports and a robust Web presence.

This is ambitious but it does square the circle of our need to answer specific questions and our need to examine specific firms. More generally, our goal is to look at the broad drivers of the crisis but also...
conduct a “deep dive” into specific institutions to determine the ground truths of the crisis.

- **Schedule.** This plan means that we will be conducting hearings every 4-6 weeks starting in December 2009 or January 2010. Our investigative teams and our researchers/writers/editors will be concurrently preparing rough chapters. Hearings would conclude by mid-August 2010.

The commission will conduct its inquiries, hearings and reports mindful of the schedule of the Congress in addressing legislation related to the financial crisis, subject to the commission’s own independent mandate and a commitment to highest quality products.

A draft report would be presented to the commission by mid-September 2010. It is assumed that the Government Printing Office will need the final version for printing by November 1, 2010 to make our statutory deadline for presentation of our report.

---

1 The footnotes indicate which statutory provisions are covered by the various sections of the Commission’s report. It should be noted that while each specific statutory provision is listed once, a number of the areas of examination will in all probability be covered in more than one section given the interconnected nature of the issues to be examined.

ii “The global imbalance of savings, international capital flows, and fiscal imbalances of various governments” (Public Law 111-21, § 5(c)(1)(c)); “Monetary policy and the availability and terms of credit” (Public Law 111-21, § 5(c)(1)(d)); “Affiliations between insured depository institutions and securities, insurance, and other types of nonbanking companies” (Public Law 111-21, § 5(c)(1)(i)); “Tax treatment of financial products and investments” (Public Law 111-21, § 5(c)(1)(f)); and “The concept that certain institutions are ‘too-big-to-fail’ and its impact on market expectations” (Public Law 111-21, § 5(c)(1)(k)).

iii “Fraud and abuse in the financial sector, including fraud and abuse towards consumers in the mortgage sector” (Public Law 111-21, § 5(c)(1)(a)); “Lending practices and securitization, including the originate-to-distribute model for extending credit and transferring risk” (Public Law 111-21, § 5(c)(1)(i)); “The legal and regulatory structure of the United States housing market” (Public Law 111-21, § 5(c)(1)(o)); and “Financial institutions and government-sponsored enterprises” (Public Law 111-21, § 5(c)(1)(u)).

iv “Derivatives and unregulated financial products and practices, including credit default swaps” (Public Law 111-21, § 5(c)(1)(p)); “Financial institution reliance on numerical models, including risk models and credit ratings” (Public Law 111-21, § 5(c)(1)(r)); “Short-selling” (Public Law 111-21, § 5(c)(1)(q)); “Compensation structures” (Public Law 111-21, § 5(c)(1)(m)); “Changes in compensation for employees of
financial companies, as compared to compensation for others with similar skill sets in the labor market” (Public Law 111-21, § 5(c)(1)(n)); “Corporate governance, including the impact of company conversions from partnerships to corporations” (Public Law 111-21, § 5(c)(1)(l)); and “The quality of due diligence undertaken by financial institutions” (Public Law 111-21, § 5(c)(1)(v)).

“Federal and State financial regulators, including the extent to which they enforced, or failed to enforce statutory, regulatory, or supervisory requirements” (Public Law 111-21, § 5(c)(1)(b)); “Capital requirements and regulations on leverage and liquidity, including the capital structures of regulated and non-regulated financial entities” (Public Law 111-21, § 5(c)(1)(g)); “The legal and regulatory structure governing financial institutions, including the extent to which the structure creates the opportunity for financial institutions to engage in regulatory arbitrage” (Public Law 111-21, § 5(c)(1)(s)); and “The legal and regulatory structure governing investor and mortgagor protection” (Public Law 111-21, § 5(c)(1)(t)).

vi “Credit rating agencies in the financial system, including reliance on credit ratings by financial institutions and Federal financial regulators, the use of credit ratings in financial regulation, and the use of credit ratings in the securitization markets” (Public Law 111-21, § 5(c)(1)(h)); and “Accounting practices, including, mark-to-market and fair value rules, and treatment of off-balance sheet vehicles” (Public Law 111-21, § 5(c)(1)(c)).

vii “To examine the causes of the collapse of each major financial institution that failed (including institutions that were acquired to prevent their failure) or was likely to have failed if not for the receipt of exceptional Government assistance from the Secretary of the Treasury during the period beginning in August 2007 through April 2009” (Public Law 111-21, § 5(c)(2)).
Ben S. Bernanke was sworn in on February 1, 2006, as Chairman and a member of the Board of Governors of the Federal Reserve System. Dr. Bernanke also serves as Chairman of the Federal Open Market Committee, the system's principal monetary policymaking body. He was appointed as a member of the Board to a full 14-year term, which expires January 31, 2020, and to a four-year term as Chairman, which expires January 31, 2010.

Before his appointment as Chairman, Dr. Bernanke was Chairman of the President's Council of Economic Advisers, from June 2005 to January 2006.

Dr. Bernanke has already served the Federal Reserve System in several roles. He was a member of the Board of Governors of the Federal Reserve System from 2002 to 2005; a visiting scholar at the Federal Reserve Banks of Philadelphia (1987-89), Boston (1989-90), and New York (1990-91, 1994-96); and a member of the Academic Advisory Panel at the Federal Reserve Bank of New York (1990-2002).

From 1994 to 1996, Dr. Bernanke was the Class of 1926 Professor of Economics and Public Affairs at Princeton University. He was the Howard Harrison and Gabrielle Snyder Beck Professor of Economics and Public Affairs and Chair of the Economics Department at the university from 1996 to 2002. Dr. Bernanke had been a Professor of Economics and Public Affairs at Princeton since 1985.

Before arriving at Princeton, Dr. Bernanke was an Associate Professor of Economics (1983-85) and an Assistant Professor of Economics (1979-83) at the Graduate School of Business at Stanford University. His teaching career also included serving as a Visiting Professor of Economics at New York University (1993) and at the Massachusetts Institute of Technology (1989-90).

Dr. Bernanke has published many articles on a wide variety of economic issues, including monetary policy and macroeconomics, and he is the author of several scholarly books and two textbooks. He has held a Guggenheim Fellowship and a Sloan Fellowship, and he is a Fellow of the Econometric Society and of the American Academy of Arts and Sciences. Dr. Bernanke served as the Director of the Monetary Economics Program of the National Bureau of Economic Research (NBER) and as a member of the NBER's Business Cycle Dating Committee. In July 2001, he was appointed editor of the American Economic Review. Dr. Bernanke's work with civic and professional groups
includes having served two terms as a member of the Montgomery Township (N.J.) Board of Education.

Dr. Bernanke was born in December 1953 in Augusta, Georgia, and grew up in Dillon, South Carolina. He received a B.A. in economics in 1975 from Harvard University (summa cum laude) and a Ph.D. in economics in 1979 from the Massachusetts Institute of Technology.

Dr. Bernanke is married and has two children.