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Congress of the United States

House of Representatives

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February 17, 2010

The Honorable Edolphus Towns
Chairman
Committee on Oversight and Government Reform
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Towns:

Thank you for calling a hearing of the Committee on January 27, 2010, on the Federal Reserve Bank of New York's ("FRBNY") cover-up of information related to the decision to bail out AIG's counterparties. The hearing provided Members on both sides of the aisle an opportunity to ask key decision-makers, including Secretary Geithner, important questions about the AIG counterparty payments cover-up. I hope your willingness to bring Secretary Geithner before the Committee doesn't stop with this hearing. Secretary Geithner should be brought before the Committee to answer questions on a range of other issues important to the American people, which I outlined to you on January 8, 2010.¹ The Committee's investigation of the AIG bailout, counterparty payments, and subsequent cover-up is far from complete. I am writing to reiterate my previous requests that you demand full compliance with the Committee's subpoena of the FRBNY and issue additional subpoenas for documents from the Federal Reserve Board of Governors and the Treasury Department.

The FRBNY's document production is incomplete and not in full compliance with the Committee's subpoena.² While the Committee's subpoena does not limit the legally-required document production by a range of dates, the FRBNY has only produced documents that were originated between September of 2008 and May of 2009. The FRBNY's document production does not include documents which would show the

¹ See letter from Darrell Issa and Patrick McHenry to Edolphus Towns, January 8, 2010, outlining the need to provide an opportunity for Members to ask questions of Secretary Geithner regarding his role in the AIG Trust Agreement, "failures of communication" related to the payment of AIG bonuses, the forced merger of Bank of America and Merrill Lynch, the continued bailouts of GM and Chrysler, the decision to treat certain Delphi retirees differently, and the failure to deliver basic transparency in the Troubled Asset Relief Program.

² See letter from Darrell Issa to Edolphus Towns, January 20, 2010.

FRBNY's knowledge of AIG's credit default swap counterparty exposure before AIG was bailed out, nor does the production include documents which would show the full extent of AIG's efforts to conceal information about the payments from the public, the Congress, and this Committee after May of 2009. Efforts by the Committee's Minority staff to obtain additional information from the FRBNY have been unsuccessful.³ Thus, it is vital that you demand full compliance with the Committee's subpoena, and hold FRBNY officials in contempt if they continue to fail to comply.

In addition, as I explained to you on January 15, 2010, it is also imperative that the Committee obtain all information in the possession of the Federal Reserve Board of Governors and the Treasury Department related to the AIG bailout, including the decision to pay AIG's counterparties at par and subsequent efforts to prevent disclosure of information related to the payments.⁴ Senator Jim Bunning, a Member of the Senate Banking Committee who is familiar with documents in the possession of the Board of Governors, publicly stated that the Board of Governors is in possession of documents that show troubling details about Chairman Bernanke's role in the AIG bailout.⁵ As I wrote to you on January 26, 2010, my office has received information from a whistleblower that confirms Senator Bunning's public statements.⁶ We now know from several sources that both the Federal Reserve and the Treasury Department are in possession of documents that are essential to inform the Committee's investigation.

Mr. Chairman, I fully support your call for a "comprehensive review of the rise and fall of AIG, and the involvement of the counterparties."⁷ However, it is clear that a "comprehensive review" is not possible without more action from this Committee. Merely referring the matter to the Government Accountability Office is not enough.⁸ The American people have a right to know the full truth about these troubling decisions as soon as possible. In addition, Congress is currently debating the appropriate ways to reform financial markets and regulation, including proposals that would vastly increase the powers of the Federal Reserve and the Treasury Department. More information about the decisions of people within those institutions is very important in informing these debates, and time is of the essence. Thus, I repeat my requests that you demand full

³ See multiple conversations between Committee Minority staff and FRBNY officials explaining the FRBNY's lack of full compliance with the Committee's subpoena and requesting additional documents which occurred between January 19, 2010 and January 27, 2010.

⁴ See letter from Darrell Issa to Edolphus Towns, January 15, 2010.

⁵ See Senator Jim Bunning, interview on CNBC, January 26, 2010.

⁶ See letter from Darrell Issa to Edolphus Towns, January 26, 2010.

⁷ See "Chairman Towns Announces Hearing to Examine New York Fed's Role in Advising Public Disclosure of A.I.G. Counterparty Payments," House Committee on Oversight and Government Reform, January 8, 2010. Available at

http://oversight.house.gov/index.php?option=com_content&task=view&id=4731&Itemid=49.

⁸ As the GAO wrote to you on January 27, 2010, the GAO won't even *start* its investigation of the AIG bailout for another two months. See letter from Ralph Dawn, GAO, to Edolphus Towns, January 27, 2010.

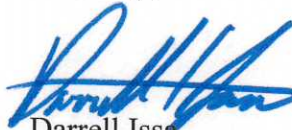
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compliance with the Committee's subpoena of the FRBNY and issue additional subpoenas to the Federal Reserve Board of Governors and the Treasury Department for all information in their possession related to the AIG bailout, the counterparty payments, and the subsequent cover-up.

Sincerely,



Darrell Issa
Ranking Member