Opening Statement
Of
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Chairman
Domestic Policy Subcommittee
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Bank of America became the largest commercial bank in the nation, the eleventh largest corporation in the United States, and the 23rd largest company in the world through the aggressive acquisition of other financial institutions, including the purchase of Merrill Lynch last year. But something went terribly wrong with the Merrill Lynch acquisition, nearly enough to bring Bank of America down. Taxpayers now own $45 billion in preferred shares and warrants in Bank of America. That money was committed by the Treasury Department and Federal Reserve, and Mr. Lewis is here today as the CEO of Bank of America, thanks to the commitment of those funds through a series of events that unfolded through the end of December, 2008 and into early January, 2009.

Due to the secretive and unaccountable conduct of the Fed throughout its interventions addressing the current financial crisis, many questions about the Bank of America-Merrill Lynch deal and bailout have, until today, remained unanswered. Some of the key questions have been:

Were the Merrill Lynch losses that precipitated Bank of America's distress call to the Treasury on December 17 the first such accelerating losses Bank of America observed at Merrill Lynch since agreeing to purchase the company? Did the Government believe that Bank of America had a credible case for abandoning the deal? Did the Federal Reserve compel Bank of America to complete the deal against its will?

Or did Bank of America's mistakes and miscalculations, more than any other single factor, cause the experienced corporate dealmaker to be exposed to Merrill Lynch's <u>predictably</u> large losses? Did the Government believe that Bank of America knew or should have known about those losses <u>before</u> its shareholders ratified the merger? Did the Government have an opinion about whether Bank of America could be liable for securities fraud for withholding from its investors material information it possessed about a significant deterioration in Merrill Lynch's balance sheet? Did Bank of America in effect negotiate an extraordinary deal for billions of additional dollars from taxpayers to continue its growth as the nation’s largest commercial bank?

The hearing today will help to answer those questions. This Committee’s ongoing investigation and subsequent hearings will answer the following questions, among others:

Did the Federal Reserve, in attempting to protect the system, apply well-established remedies when it engineered billions of dollars in subsidies to Bank of America to complete its deal with Merrill Lynch?

Or, Did the Federal Reserve pursue an untested experiment in banking regulation at variance with traditional legal remedies in committing billions of dollars in taxpayer funds to a corporate management that the Federal Reserve believed had failed in major ways?

This Committee has sifted through tens of thousands of pages of documents produced by Bank of America, the Department of Treasury, and the Federal Reserve. Our investigation will help set the record straight about Bank of America and Merrill Lynch. Furthermore, the story of Bank of America’s merger with Merrill Lynch and its huge taxpayer-provided subsidy helps to answer broader questions about how the corporate management of very large financial institutions operate with virtual impunity for their mistakes. The documents we will reveal today provide the public a rare look into the disconnection between the Fed’s ability to analyze financial problems, and its ability to remedy them, when they involve very large financial institutions. Before Congress rushes to revise the banking regulatory framework, we would do well to incorporate the lessons of the Bank of America- Merrill Lynch episode that this Committee’s hearings over the coming weeks will draw.