

U. S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

January 7, 2010

The Honorable Barney Frank
Chairman
Committee on Financial Services
2129 Rayburn HOB
Washington, D.C. 20515

Dear Chairman Frank:

As you know, since March 2009 I have raised concerns, and called for hearings, regarding the disparate treatment of U.S. banks and foreign institutions by insurance giant American International Group (AIG). In July, you indicated in comments from the dais that there were valid questions and that you would consider calling a hearing after the regulatory restructuring legislation was completed.

Since July, additional information has come to light. Bloomberg News today cited email evidence that the Federal Reserve Bank of New York, then under the leadership of Secretary Geithner, prevented AIG from disclosing certain information and documents related to its government bailout, including details regarding AIG's payments to large U.S. and European counterparties. This appears to be a deliberate effort by the Federal Reserve to keep the public in the dark regarding key aspects of one of the largest taxpayer-funded bailouts. It is imperative for this Committee to have a public hearing on this latest troubling report as soon as Congress returns to session later this month.

Unfortunately, disclosure and transparency have been sorely lacking when it comes to congressional and public review of the circumstances surrounding AIG's bailout. For months, the public was prevented from knowing the names of AIG's counterparties and the extent to which AIG fulfilled its obligations to those firms. We learned today that it was the New York Fed that stepped in to prevent public disclosure of this information by deleting the counterparty names and payment information from AIG's draft regulatory filing. This calculated attempt to withhold important information from the public and market participants runs counter to the principles of our capital markets.

The November 2009 report by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) found that the New York Fed, under Secretary Geithner's leadership, failed to fight for what was in the best interest of taxpayers. Additionally, the SIGTARP concluded that the New York Fed's strategy of negotiating with AIG's counterparties prevented it from imposing any haircuts on those counterparties, which were all paid one hundred cents on the dollar while less well-connected U.S. banks in contractual relationships with AIG were offered far less generous terms. The SIG-TARP concluded that this constituted a backdoor bailout of AIG's counterparties at the expense of taxpayers.

In November 2009, I wrote to Secretary Geithner requesting an explanation of the extent to which AIG met its obligations to creditors that are U.S. banks. Unfortunately, to this day, Secretary Geithner has provided no explanation. As you know, I have also questioned Secretary Geithner at Committee hearings on AIG's disparate treatment of counterparties and creditors, and unfortunately, have not received detailed answers.

The Honorable Barney Frank

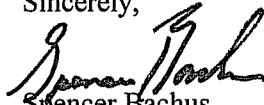
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For all these reasons, our Committee has a duty to convene a Full Committee hearing in order to determine the facts surrounding AIG's bailout. There is no more urgent business before the Committee and this hearing should be given the highest priority.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Spencer Bachus". The signature is written in a cursive style with a large, prominent initial "S".

Spencer Bachus
Ranking Member