United States Senate
Committee on Finance

Sen. Chuck Grassley · Iowa
Ranking Member

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For Immediate Release
Monday, Feb. 23, 2009

Grassley Urges Treasury to Explain Citigroup Stock Plans

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, today asked the Treasury secretary for a full explanation of plans to convert the government's holdings in Citigroup, Inc., from preferred stock to common stock, including the impact on taxpayers and whether Citigroup would escape executive compensation restrictions after the conversion.

"Common stock is riskier than preferred stock. The American taxpayers are already shouldering a lot of risk these days," Grassley said. "This move could expose taxpayers to even more risk. Also, if it allows Citigroup to circumvent executive compensation restrictions, that will add insult to injury for the taxpayers. We all need to know what Treasury hopes to accomplish here and whether the risks are worth any benefits."

The text of Grassley's letter to the Treasury secretary follows here.

February 23, 2009

The Honorable Timothy F. Geithner
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner:

As Ranking Member of the Senate Finance Committee, which has jurisdiction over the public debt limit, I have, and will continue to, undertake oversight activities over the Troubled Asset Relief Program ("TARP") and all other bailout programs. To date, the Treasury Department has injected taxpayer funds into 428 financial institutions through a direct purchase of preferred stock in the institutions ("TARP recipients"). Press reports indicate that the Treasury Department is now considering converting the preferred stock the Department holds in Citigroup, Inc., which is a TARP recipient, into common stock. To better understand the Treasury Department's decision-making in this context, please provide me with the following information in writing by February 27, 2009:

1. Why is the Treasury Department contemplating converting the Department's preferred stock holdings in Citigroup, Inc.?

2. When were you planning to inform Congress of this change in policy?

3. What will be the economic impact of the conversion on Citigroup, Inc.?

4. What will be the economic impact of the conversion on the American taxpayer?

5. The executive compensation restrictions included in the American Recovery and Reinvestment Act of 2009 would not apply to a TARP recipient during the period in which the Federal Government only holds warrants to purchase common stock of the TARP recipient. Doesn't this mean that Citigroup, Inc. would not be subject to the executive compensation restrictions after the conversion?

6. Wouldn't the reported new 40 percent stake in Citigroup, Inc. give the government effective control of the bank, and therefore, be a de facto nationalization of the bank?

7. Does the Treasury Department have plans to convert the Department's preferred stock holdings in other TARP recipients?

If you have any questions regarding this request for information, please do not hesitate to contact Theresa Pattara at 202-224-4515.

Sincerely,

Chuck Grassley
Ranking Member