

Congress of the United States
CONGRESSIONAL OVERSIGHT PANEL

May 26, 2009

The Honorable Timothy F. Geithner
Secretary of the Treasury
U.S. Department of the Treasury
Room 3330
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Mr. Secretary:

I am writing to request information about the U.S. Department of the Treasury's Temporary Guarantee Program for Money Market Funds (Treasury Guarantee Program or the Program), which is funded by the Troubled Asset Relief Program (TARP).

In September 2008, Treasury created the Treasury Guarantee Program in the wake of the Reserve Primary Fund "breaking the buck."¹ The Treasury Guarantee Program uses assets of the Exchange Stabilization Fund (ESF) to guarantee the net asset value of shares of participating money market mutual funds. Participation is restricted to publicly offered money market mutual funds regulated under Rule 2a-7 of the Investment Company Act of 1940 and registered with the Securities and Exchange Commission and is contingent on the payment of a participation fee. While Treasury has publicly released accounting of the amount of fees collected under the Program, it does not appear to have released a detailed accounting of the total value of funds guaranteed under the Program.²

Treasury has stated that "[t]he amount of the Guarantee Payment is dependent on the availability of funds in the Exchange Stabilization Fund,"³ and there is a provision in the standard contract between the Treasury Department and Program participants stipulating that "[t]he Guarantee Payment shall in no event exceed the amount available for payment within the ESF on the Payment Date, as determined by the Treasury in its sole and absolute discretion."⁴

¹ U.S. Department of the Treasury, *Treasury Announces Temporary Guarantee Program for Money Market Mutual Funds* (Sept. 29, 2008) (online at www.treas.gov/press/releases/hp1161.htm).

² U.S. Department of the Treasury, *Treasury Announces Extension of Temporary Guarantee Program for Money Market Funds* (Mar. 31, 2009) (online at www.treas.gov/press/releases/tg76.htm) (hereinafter "Treasury Program Extension Announcement") (reporting that the Program "currently covers over \$3 trillion of combined fund assets.").

³ U.S. Department of the Treasury, *Summary of Terms for the Temporary Guaranty for Money Market Funds*, at 2 (accessed May 19, 2009) (online at <https://treas.gov/offices/domestic-finance/key-initiatives/money-market-docs/TermSheet.pdf>).

⁴ See, e.g., U.S. Department of the Treasury, *Guarantee Agreement – Stable Value*, at ¶ 1(j) (accessed May 19, 2009) (online at https://treas.gov/offices/domestic-finance/key-initiatives/money-market-docs/Guarantee_Agreement_Stable-Value.pdf).

The ESF currently has approximately \$50 billion of capital of various liquidities.⁵ Section 131 of the Emergency Economic Stabilization Act of 2008, Pub. L. No. 110-343 (EESA), which was passed after the Program began, protects the ESF from incurring any losses from the Treasury Guarantee Program by requiring that Treasury reimburse the ESF for any funds used in the exercise of the guarantees under the Program.⁶ While the Program had an initial term of three months, it has been extended numerous times, most recently through September 18, 2009.⁷

As part of its oversight responsibilities, the Congressional Oversight Panel is monitoring all TARP funding commitments and cash flows. In support of this effort, and in light of the complicated financing arrangements utilized in this particular instance, the Panel requests the following information:

- (1) The total current and historical value of money market mutual funds participating in the Treasury Guarantee Program;
- (2) The extent to which the investments in the money market funds that are guaranteed under the Treasury Guarantee Program are also insured or supported by programs initiated by the Federal Reserve in response to the financial crisis and the interplay between these liquidity support and guarantee programs;
- (3) The extent to which the Treasury Department's obligations to exercise the guarantees under the Program are mitigated by its discretion to withhold payment when there are inadequate funds in the ESF given its requirement under EESA to refund the ESF when it is depleted;
- (4) The amount of TARP funds, if any, the Treasury Department has reserved for the possibility of its obligation to pay the guarantees under the Treasury Guarantee Program;
- (5) The Treasury Department's position on its legal responsibility to reimburse Program participants in the event that TARP money has been totally expended;
- (6) Whether the Treasury Department has any plans to extend the program beyond September 18, 2009.

The Panel requests that you provide this information as soon as possible, but not later than Wednesday, June 3, 2009.

⁵ See, e.g., U.S. Department of the Treasury, *Exchange Stabilization Fund State of Financial Position as of March 31, 2009* (accessed May 19, 2009) (online at <https://treas.gov/offices/international-affairs/esf/esf-monthly-statement.pdf>) (reporting \$50,038,405,934 of total Program assets, which include about \$23 billion in foreign currency holding, \$15 billion in U.S. Government Securities, and \$9 billion in International Monetary Fund Special Drawing Rights).

⁶ See section 131 of EESA, codified at 12 U.S.C. § 5236(a).

⁷ See Treasury Program Extension Announcement, *supra* note 2.

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If you have any questions or would like additional information, please contact me or have a member of your staff contact Charlie Honig at [REDACTED] or [REDACTED].

Thank you for your attention to this request.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Warren".

Elizabeth Warren
Chair
Congressional Oversight Panel

cc. Rep. Jeb Hensarling

Mr. Richard H. Neiman

Mr. Damon A. Silvers

Sen. John E. Sununu