ELIZABETH WARREN, CHAIR
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RICHARD H. NEIMAN
DAMON SILVERS
J. MARK McWATTERS

732 NORTH CAPITOL STREET, NW
ROOM C-320
WASHINGTON, DC 20401

Congress of the United States
CONGRESSIONAL OVERSIGHT PANEL

Opening Statement of Elizabeth Warren

Congressional Oversight Panel Hearing on Assistance Provided to Citigroup Under TARP

March 4, 2010

Good morning. My name is Elizabeth Warren, and I am the chair of the Congressional Oversight Panel.

In late 2008 a financial crisis threatened to bring the worldwide economy to its knees.

On October 28, Treasury injected capital into Citigroup along with eight other of the nation's largest financial institutions. After that initial bailout of $25 billion, taxpayers would be called upon to support Citigroup twice more: on December 31, 2008, with $20 billion; and on January 15, 2009, with a guarantee of approximately $301 billion in assets.

This was not the first time that Citigroup needed government assistance. During the Great Depression, Citigroup, then known as National Bank, survived only because of generous policies put in place by the federal government. Again in the 1980s, Citigroup—then operating as Citicorp—benefited from regulators' decisions to waive standards during the LDC debt crisis.

Since then, Citigroup has become the largest global financial services firm in the world, serving more than 200 million customer accounts in more than 100 countries. Citigroup in its current form—commercial banking, insurance services, and securities—encompasses so many types of businesses that the merger creating it required special permission from the Federal Reserve and eventually the repeal of the Depression-era Glass-Steagall Act.

The turmoil that rocked Wall Street in 2008 has largely subsided, and along with its peers, Citigroup is returning to profitability. In December of last year, Citigroup repaid $20 billion in TARP assistance and terminated the asset guarantee arrangement. Treasury has plans to sell its remaining 27 percent stake in Citigroup, although the sale has been delayed because Citigroup's share price in December was below the price Treasury had paid.

The sheer magnitude of Citigroup's operations, and the company's history of receiving extraordinary government support, has led this Panel to an inescapable conclusion: Citigroup, along with a handful of other financial institutions, enjoys an implicit government guarantee. The United States government will bear any burden and pay any price to ensure that Citigroup does not fail.

On February 10, Standard & Poor's issued Citigroup a credit rating of "A"—three grades higher than it would otherwise—"to reflect the likelihood that if further extraordinary government support were needed, it would be forthcoming."

In other words, were it not for the market's view that Citigroup enjoyed an implicit government guarantee—a view reinforced in dramatic fashion by the bailout that this Panel oversees—then it would cost Citigroup more to do business and it would be viewed as a riskier investment.

What are the consequences, both to the taxpayer and for Citigroup's business, of this implicit guarantee? How has Citigroup used the tax dollars it received over the course of the crisis and continues to hold today? And perhaps most importantly, what are Treasury's and Citigroup's strategies for ensuring the American taxpayer will never again be asked to fund another bailout for this institution?

To help the Panel examine these issues, we will hear first from Assistant Secretary of the Treasury for Financial Stability Herbert M. Allison, Jr. and then from Citigroup Chief Executive Officer Vikram Pandit.

To both of our witnesses, please know that we are sincerely thankful to you for joining us. We appreciate your willingness to help us learn from your perspectives.

Before we proceed with the first panel, allow me to first offer my colleagues an opportunity to provide their own opening remarks.