

## Section Two: Additional Views

### A. Damon Silvers

While I support this report, there is an important limitation to its analysis that was not present in prior reports of this panel addressing valuation issues associated with TARP.

Past reports of our Panel have valued securities such as CPP preferred stock and warrants by reference to public market prices for related securities. This report contains similar efforts to value guarantees for bank public debt and the preferred stock and warrants received as compensation for the Citigroup guarantee. I view this type of analysis as a critical component of our Panel's mission.

However, the Panel staff's efforts to analyze the asset guarantees provided to Citigroup have been hampered by the staff not having access to a comprehensive, itemized list of the assets that have been guaranteed by Treasury or information as to the detailed characteristics of those assets. In addition, there remains uncertainty as to which assets will ultimately be guaranteed by Treasury because a final agreement has not been entered into between Treasury and Citigroup that fixes which assets are subject to the guarantee.

As a result the Panel has had to rely upon the analysis of the tentative portfolio of assets subject to the guarantees performed by the Congressional Budget Office and the Office of Management and Budget. In the case of OMB their analysis was in turn reliant upon the analyses of the parties to the transaction—Citigroup, Treasury, and the Federal Reserve. CBO's analysis was based not on looking at the assets themselves but on making estimates based on assumptions that categories of assets in the guarantee pool would perform similarly to their asset class as a whole. In each case, our staff, CBO and OMB lacked the data needed to do more.

The consequence is that there has been no independent, asset-specific valuation of the Citigroup guarantee either as of the time the guarantee was made or as of a more recent date. Thus the detailed statements made in this report about potential losses on Citigroup assets covered under the Citigroup guarantee must be understood to be based on Federal Reserve Bank of New York analyses and not on an informed, independent valuation of the risk Treasury has assumed as a result of the guarantee of these specific assets.