

Towns, Lynch Call on Federal Reserve to Release Documents Regarding Former Chair of the New York Fed Board

WASHINGTON – House Committee on Oversight and Government Reform Chairman Edolphus Towns (D-NY) and Congressman Stephen F. Lynch (D-MA), Chairman of the Subcommittee on the Federal Workforce, Postal Service and the District of Columbia, today released a letter they sent to Federal Reserve Board Chairman Ben Bernanke seeking documents related to Stephen Friedman’s purchase of Goldman Sachs (Goldman) stock at the height of the financial crisis. When Mr. Friedman made this stock purchase, he was serving simultaneously as a member of the Board of Directors of Goldman and as Chairman of the Board of Directors of the Federal Reserve Bank of New York (New York Fed).

Chairman Towns and Rep. Lynch questioned Mr. Friedman during a committee [hearing](#) in January titled, “The Federal Bailout of AIG.”

Mr. Friedman purchased 37,000 shares of Goldman in December 2008, a month after the New York Fed directed AIG to pay its counterparties, including Goldman, at par, and three months before AIG’s \$13 billion payment to Goldman was officially announced to the public. When Mr. Friedman made this purchase, he was prohibited under Federal Reserve policy from owning Goldman shares, and he had not yet been granted a waiver that permitted him to serve on the New York Fed despite his ownership of Goldman stock.

“At a time when Mr. Friedman was prohibited from owning Goldman Sachs stock, he bought over a million dollars more of it without notifying the Federal Reserve,” said Chairman Towns. “This raises serious questions about transparency, fairness and the appearance of a cozy relationship between Wall Street and the government.”

“Normally, regulators are not allowed to personally invest in companies that they are regulating. So it is especially troubling that Mr. Friedman purchased Goldman stock when he was prohibited from doing so and during a period when the Federal Reserve was considering pumping billions of taxpayer dollars into AIG, for the benefit of Goldman Sachs, its major counterparty. This arrangement at the Federal Reserve raises major conflict-of-interest concerns. In addition, our committee will need to determine if Mr. Friedman capitalized personally and financially, at the expense of the taxpayer, based on information he obtained as a member of the Federal Reserve Board of Governors.” Congressman Lynch said.□

Mr. Friedman resigned from the New York Fed in May 2009 after his purchase of 37,000 Goldman shares became public.

Chairman Towns and Congressman Lynch are seeking all documents related to Mr. Friedman's purchase of Goldman stock and all documents related to the Federal Reserve's ultimate decision to grant Mr. Friedman a waiver in January 2009.

The Towns-Lynch letter to Chairman Bernanke is below.

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Documents and Links

[Letter from Chairman Edolphus Towns and Rep. Stephen Lynch to Federal Reserve Chairman Ben Bernanke](#)