

## **Towns, Lynch Statement on Review of Federal Reserve Documents**

### ***Questions remain surrounding decision to grant Friedman waiver***

WASHINGTON – Chairman Edolphus “Ed” 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 the following joint statement after completing a review of internal Federal Reserve documents related to the Fed’s decision to waive its conflict of interest policy in January 2009 and allow Stephen Friedman to simultaneously own Goldman stock and serve as Chairman of the Board of the Federal Reserve Bank of New York. When the waiver was granted, Mr. Friedman was also on the Board of Directors of Goldman Sachs, a company that was under the supervision of the Fed.

“Two years after the collapse of our nation’s financial system, the Committee continues to examine decisions that were made by the Federal Reserve Board and the Federal Reserve Bank of New York during the height of the crisis in an effort to answer lingering questions concerning that time period. We also believe a critical analysis of these events will improve the provisions included in the financial regulatory reform bill that is moving through Congress.

“A review of recently acquired internal Fed emails surrounding the decision to grant Stephen Friedman, a member of the Board of Directors of Goldman Sachs and former Chairman of the Board of Directors of the Federal Reserve Bank of New York, a waiver in January 2009 that permitted him to serve on the New York Fed despite his ownership of Goldman stock reveals that senior officials had misgivings about granting the waiver but were ultimately overruled. Mr. Friedman’s purchase of Goldman stock 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 also raises conflict of interest questions.

“We believe a closer examination of this issue is necessary, especially when Congress is considering increasing the Fed’s powers. In the coming weeks, we will continue our investigation of this matter and will schedule a hearing to learn more from Mr. Friedman and senior Fed officials about how he was permitted to make windfall profits by trading stock in a company he had a role in regulating.”

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