



OFFICE OF THE SPECIAL INSPECTOR GENERAL

FOR THE TROUBLED ASSET RELIEF PROGRAM

1801 L STREET, NW, 6TH FLOOR


WASHINGTON, D.C. 20220

July 23, 2009

MEMORANDUM FOR: Hebert M. Allison Jr. – Assistant Secretary for Financial Stability,
Department of Treasury

Stephen R. Malphrus - Chief of Staff, Board of Governors,
Federal Reserve System

Sandra L. Thompson – Director, Division of Supervision and
Consumer Protection, Federal Deposit Insurance Corporation

FROM: Neil M. Barofsky, Special Inspector General for the Troubled
Asset Relief Program 

SUBJECT: Engagement Memo – Review of Citigroup’s participation in the
Asset Guarantee Program

As part of our continuing oversight of the Troubled Asset Relief Program, and based on a request from a member of the House Financial Services Committee, we are initiating a review of the U.S. Government’s program to provide asset guarantees to Citigroup. Under the program, which was announced November 23, 2008, the government provided protection against the possibility of unusually large losses on an asset pool of approximately \$301 billion of loans and securities backed by residential and commercial real estate and other like assets. This work will be performed under engagement code 011.

Our specific objectives will be to determine: (1) the basis on which the decision was made to provide asset guarantees to Citigroup, and the process for selecting the loans and securities to be guaranteed; (2) what were the characteristics of the assets deemed to be eligible to be “ring-fenced”, i.e. covered under the program, how do they compare with other such assets on Citigroup’s books, and what risk assessment measures were considered in their acquisition; (3) whether effective risk management and internal controls and related oversight processes and procedures are in place to mitigate risks to the government under this guarantee program with Citigroup; and (4) what safeguards exist to protect the taxpayer’s interests in the government’s investment in the asset guarantees provided to Citigroup, and the extent of losses to date.

We plan to start work on this engagement immediately and expect to perform our field work at the Office of Financial Stability, the Federal Deposit Insurance Corporation, the Federal Reserve Board, and Citigroup. A member of my staff will contact you shortly to arrange an entrance conference. At that time, we will discuss our scope, methodology, and timeframes in more detail.

In the meantime, please contact Mr. Barry W. Holman, Deputy Special Inspector General for Audit, at (202) 622-4633.

cc: Duane Morse, Chief Risk and Compliance Officer, OFS
James H. Angel, Jr. Director, Office of Enterprise Risk Management, FDIC
David Caperton, Special Counsel for Oversight, FRB