



BERNIE SANDERS
US Senator for Vermont

U.S. Senator Bernie Sanders

United States Senator for Vermont

The Fed Audit

July 21, 2011

The first top-to-bottom audit of the Federal Reserve uncovered eye-popping new details about how the U.S. provided a whopping \$16 trillion in secret loans to bail out American and foreign banks and businesses during the worst economic crisis since the Great Depression. An amendment by Sen. Bernie Sanders to the Wall Street reform law passed one year ago this week directed the [Government Accountability Office](#) to conduct the study. "As a result of this audit, we now know that the Federal Reserve provided more than \$16 trillion in total financial assistance to some of the largest financial institutions and corporations in the United States and throughout the world," said Sanders. "This is a clear case of socialism for the rich and rugged, you're-on-your-own individualism for everyone else."

Among the investigation's key findings is that the Fed unilaterally provided trillions of dollars in financial assistance to foreign banks and corporations from South Korea to Scotland, according to the GAO report. "No agency of the United States government should be allowed to bailout a foreign bank or corporation without the direct approval of Congress and the president," Sanders said.

The non-partisan, investigative arm of Congress also determined that the Fed lacks a comprehensive system to deal with conflicts of interest, despite the serious potential for abuse. In fact, according to the report, the Fed provided conflict of interest waivers to employees and private contractors so they could keep investments in the same financial institutions and corporations that were given emergency loans.

For example, the CEO of JP Morgan Chase served on the New York Fed's board of directors at the same time that his bank received more than \$390 billion in financial assistance from the Fed. Moreover, JP Morgan Chase served as one of the clearing banks for the Fed's emergency lending programs.

In another disturbing finding, the GAO said that on Sept. 19, 2008, William Dudley, who is now the New York Fed president, was granted a waiver to let him keep investments in AIG and General Electric at the same time AIG and GE were given bailout funds. One reason the Fed did

not make Dudley sell his holdings, according to the audit, was that it might have created the appearance of a conflict of interest.

To Sanders, the conclusion is simple. "No one who works for a firm receiving direct financial assistance from the Fed should be allowed to sit on the Fed's board of directors or be employed by the Fed," he said.

The investigation also revealed that the Fed outsourced most of its emergency lending programs to private contractors, many of which also were recipients of extremely low-interest and then-secret loans.

The Fed outsourced virtually all of the operations of their emergency lending programs to private contractors like JP Morgan Chase, Morgan Stanley, and Wells Fargo. The same firms also received trillions of dollars in Fed loans at near-zero interest rates. Altogether some two-thirds of the contracts that the Fed awarded to manage its emergency lending programs were no-bid contracts. Morgan Stanley was given the largest no-bid contract worth \$108.4 million to help manage the Fed bailout of AIG.

A more detailed GAO investigation into potential conflicts of interest at the Fed is due on Oct. 18, but Sanders said one thing already is abundantly clear. "The Federal Reserve must be reformed to serve the needs of working families, not just CEOs on Wall Street."

To read the GAO report, click [here](#).

