



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

January 15, 2009

The Honorable Ben Bernanke
Federal Reserve Board
Washington, DC 20551

Dear Chairman Bernanke:

During this period of financial turmoil, we have worked together to enhance the stability, liquidity and orderliness of our financial markets. In the early part of November, 2008, it became clear that the situation at Citigroup presented a substantial and systemic threat to those financial markets. Citigroup is the second largest banking organization in the United States, with more than \$2 trillion in total assets.

I believe the Federal Reserve Bank of New York's (FRBNY) participation in a special liquidity facility used to guaranty certain Citigroup assets was necessary to prevent the substantial disruption to financial markets and the economy that could well have occurred because of loss of market confidence in Citigroup. On behalf of the Department of the Treasury, I fully support the FRBNY's action and acknowledge that, if any loss arises out of this facility, the loss will be treated by the FRBNY as an expense that may reduce the net earnings transferred by the FRBNY to the Treasury general fund.

Sincerely,

Henry M. Paulson, Jr.