

United States Senate

WASHINGTON, DC 20510

January 18, 2019

The Honorable Steven T. Mnuchin
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Mnuchin,

We write to request information about why you called the CEOs of the nation's six largest banks to confirm that they had adequate liquidity to sustain "lending to consumer[s], business markets, and all other market operations"¹ in the midst of a sustained period of "heavy losses" in the U.S. stock market.

On December 23, 2018, the Treasury Department (Treasury) issued a press release reporting that you had "conducted a series of calls with the CEOs of the nation's [sic.] six largest banks," including Brian Moynihan of Bank of America, Michael Corbat of Citigroup, David Solomon of Goldman Sachs, Jamie Dimon of JP Morgan Chase, James Gorman of Morgan Stanley, and Tim Sloan of Wells Fargo. It also announced that you would be convening "a call with the President's Working Group on financial markets," a group comprised of key financial regulators, on December 24th to "discuss coordination efforts to assure normal market operations."²

The Department's announcement, which was issued on a Sunday, came in the midst of a period of significant uncertainty in financial markets: the S&P 500 had dropped 7.1 percent the previous week; the Nasdaq Composite Index had entered into a bear market; parts of the federal government were in the midst of shutting down; and President Trump was reportedly considering firing Federal Reserve Chairman Jerome Powell over the Fed's recent interest-rate hike and months of stock market losses.³

The public announcement of these calls was a rare step for a Treasury Secretary to take. Moreover, your calls sought to assuage a concern—the liquidity of banks—that neither banking regulators nor executives had publicly indicated was a problem.⁴ The day after the calls were announced, the S&P 500 declined by 2.7% in part because "Mnuchin ... shocked the market by invoking alarming crisis-era language in describing it."⁵

¹ Bloomberg, "Mnuchin Called Top U.S. Bank Executives on Market Stability," Saleha Mohsin and Ros Krasny, December 23, 2018, <https://www.bloomberg.com/news/articles/2018-12-23/mnuchin-called-top-u-s-bank-executives-about-market-stability>.

² Tweet by Steven Mnuchin, December 23, 2018, <https://twitter.com/stevenmnuchin1/status/1076958380361543681/photo/1>

³ Politico, "Mnuchin speaks with big bank CEOs about market stability," Victoria Guida, December 23, 2018, <https://www.politico.com/story/2018/12/23/mnuchin-banks-market-stability-1074807>; Bloomberg, "Trump Discusses Firing Fed's Powell After Latest Rate Hike, Sources Say," Jennifer Jacobs and Saleha Mohsin, December 21, 2018, <https://www.bloomberg.com/news/articles/2018-12-22/trump-said-to-discuss-firing-fed-s-powell-after-latest-rate-hike>.

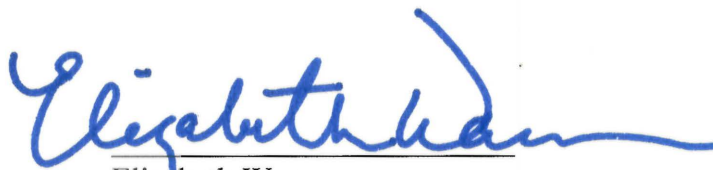
⁴ Politico, "Mnuchin speaks with big bank CEOs about market stability," Victoria Guida, December 23, 2018, <https://www.politico.com/story/2018/12/23/mnuchin-banks-market-stability-1074807>.

⁵ Business Insider, "Dow drops 640 points for the worst Christmas Eve trading day on record," December 24, 2018, <https://www.businessinsider.com/stocks-look-set-to-rally-market-baffled-by-mnuchin-call-2018-12>.

Given the outsized role of liquidity problems in the 2008 financial crisis⁶, we would like to better understand the risks to the U.S. banking system that triggered your concerns and prompted this rare public statement. Therefore, we ask that you provide the following information no later than January 28, 2019.

1. What did you see in financial markets that caused you to be concerned about the liquidity of the six largest banks in the nation?
2. For each of the six calls you made to the CEOs of Bank of America, Citi, Goldman Sachs, JP Morgan Chase, Morgan Stanley, and Wells Fargo, please provide:
 - a. A summary of the call, including a transcript if available;
 - b. Copies of any documentation, notes, or other written analyses produced in conjunction with the call; and
 - c. Copies of all internal and external Treasury Department communications scheduling the call.
3. What did you see in financial markets that caused you to call a meeting of the President's Working Group on financial markets to "discuss coordination efforts to assure normal market operations"?
4. For the call with the President's Working Group on financial markets, please provide:
 - a. A summary of the call, including a transcript if available; and
 - b. Copies of any documentation, notes, or other written analyses produced in conjunction with the call.
5. Does the Treasury Department have information indicating that that the nation's financial institutions are facing liquidity risks, clearance or margin risks, or other risks to market operations that could negatively impact the U.S. economy?

Sincerely,



Elizabeth Warren
United States Senator

⁶ Washington Post, "Treasury secretary startles Wall Street with unusual pre-Christmas calls to top bank CEOs," Damian Paletta and Josh Dawsey, December 23, 2018, https://www.washingtonpost.com/business/2018/12/23/treasury-secretary-makes-unusual-pre-christmas-call-top-bank-ceos-amid-market-mayhem/?utm_term=.033574686f8d.