

## Transparency and The Federal Reserve

*Bloomberg News, to track the use of taxpayer money in the bank bailout, is seeking information from the Federal Reserve Bank on the identities of financial institutions taking emergency funding, the amounts and the types of collateral they offered in return.*

- Bloomberg is asking that the Fed not appeal the Aug. 24 decision by Judge Preska to require the Fed to disclose the identities of the banks taking emergency funding, the amount they took and the collateral they gave.
- The Freedom of Information Act (called "FOIA" and largely re-written by Ted Kennedy in the post Watergate reforms) was designed so that the public -- and its eyes and ears of the media -- can hold Government accountable. There is a presumption of access and the government has the burden of showing why something should be exempt from disclosure.
- The information we seek will shine the disinfectant of sunlight on one of the core causes of our current financial crisis.
- The Federal Reserve's argument that disclosure might cause a run on those banks is contrary to experience; after TARP was announced, Citigroup Inc. shares rose 64% after taking \$20 billion in emergency capital; about the same time, E\*Trade Financial Corp., surged as much as 42 percent, the most in 12 years, after saying it was ``optimistic'' about receiving taxpayer funds under TARP.
- The federal judge agreed that in its central arguments (made on behalf of the banks who wish to remain secret) the Fed failed to show (as the standard of the law requires) a real and imminent harm from disclosure.
- President Obama has made transparency a stated hallmark of his administration. "Openness will strengthen our democracy and promote efficiency and effectiveness in government," Barack Obama wrote in a letter to all agency and department heads on his second day as president. "My administration is committed to creating an unprecedented level of openness in government."
- Dow Jones, the New York Times, the Associated Press, Gannett Newspapers, Hearst Advance Publications, the American Society of News Editors and the Reporters' Committee for Freedom of the Press plan to side with Bloomberg by filing a friend of the court brief.

### TIMELINE

- May 21, 2008 Bloomberg files a Freedom of Information Act request. The Fed denies this request
- Nov. 7, 2008 Bloomberg files suit to require disclosure [Bloomberg LP v. Federal Reserve, U.S. District Court, Southern District of New York (Manhattan)].
- Aug. 24, 2009: Judge Loretta Preska rules that the Fed must disclose this information
- Sept. 30, 2009: Deadline for the Fed to appeal this decision