visit Havana, Cuba, in order to better understand the culture of the land and the inner struggles of the Cuban people.

Currently Tom also serves on the board of directors of the Bucks Mont Katrina Relief Project and has raised millions of dollars for the victims of Hurricane Katrina in Hancock County, Mississippi. As part of this mission, Tom has led over 100 attorneys and their family members on multiple trips to Hancock County to clean up the devastated buildings like a food pantry and an animal shelter.

Tom’s morals and decorum permeate every aspect of his life. His loyalty is unwavering and unparalleled, whether it be to family, friends, employees, or clients. His dedication to the community speaks volumes about who Tom is as a person. He is a kind, giving, unique individual, and I’m truly blessed to have called him a friend for so many years and to honor him today as he will be honored tonight at the Bucks County Bar Association.

WALL STREET VERSUS MAIN STREET

The SPEAKER pro tempore. The Chair recognizes the gentlewoman from Ohio (Ms. KAPTUR) for 5 minutes.

Ms. KAPTUR. Mr. Speaker, it’s no secret that Wall Street is rampant with cases of outright fraud, backroom deals and very, very special political access. Meanwhile, Main Street is pushing back hard against this tide by investing in our communities and struggling to create jobs so our economy can grow.

A steady series of probing news stories have begun to expose the depth of corruption that precipitated the Wall Street meltdown and why it is so hard for Main Street to recover.

So while real justice for Wall Street languishes in places from Cleveland to Toledo, Main Street America is trying to create jobs. It’s over time for Washington, insiders like Paulson, who was the former head of Goldman Sachs. Earlier this week, we saw a U.S. District Court throw out a settlement between the Securities & Exchange Commission and Citigroup in 2008. Citigroup reportedly created, marketed, and sold a fund to investors. What Citigroup did not disclose is that the bank itself was actually betting against their own fund. This fraudulent deal made Citigroup $160 million while costing the fund’s investors $700 million in losses, and counting.

The SEC’s response to this fraud was a $285 million settlement, slightly more than a third of the reported losses incurred by the victims of this fraud, and required Citigroup to admit any wrongdoing. The federal judge was absolutely correct to throw this case out. The SEC’s policy of allowing large Wall Street firms to walk away from fraud cases without so much as admitting any wrongdoing is completely inappropriate and invites more corruption.

Growing reports of fraud are staggering, and they underlie the Wall Street dealing that has so harmed our economy. After reviewing a number of white collar crime, especially Wall Street. And market fears were mounting. Four months earlier, Bear Stearns Co. had sold itself for just $10 a share to JPMorgan Chase & Co. (JPM).

Now, amid tumbling home prices and near-record foreclosures, attention was focused on a new source of contagion: Fannie Mae (FNMA) and Freddie Mac, which together had more than $5 trillion in mortgage-backed securities and other debt outstanding. Bloomberg Markets reports in its January issue.

Pawlson had been pushing a plan in Congress to open lines of credit to the two struggling firms and to grant authority for the Treasury Department to buy equity in them. Yet he had told reporters just 13 days that the firms must remain shareholder owned and had testified at a Senate hearing two days later that giving the government new power to intervene made actual intervention improbable.

“One of the few things that has been clear is that we need to open the lines of credit to Fannie and Freddie,” he said.

On the morning of July 21, before the Eton Park meeting, Paulson had spoken to New York Times reporters and editors, according to his Treasury Department schedule. A Times article the next day said the Federal Reserve and the Office of the Comptroller of the Currency were inspecting Fannie and Freddie’s books and cited Paulson as saying he expected their examination would give a signal of confidence to the markets.

A DIFFERENT MESSAGE

At the Eton Park meeting, he sent a different message, intended to a fund manager who attended. Over sandwiches and pasta salad, he delivered that information to a group of men capable of profiting from any disclosure.

Around the conference room table were a dozen or so hedge-fund managers and other Wall Street executives—at least five of them admitted to Goldman Sachs, of which Paulson was chief executive officer and chairman from 1999 to 2006. In addition...
to Eton Park founder Eric Mindich they included such boldface names as Lone Pine Capital LLC founder Stephen Mandel, Dinakar Singh of TPG-Axon Capital Management LP and Daniel Mitchell of Och-Ziff Capital Management Group LLC.

After a perfunctory discussion of the market turmoil, the fund manager says, the discussion turned to Paulson and Freddie Mac. Paulson said he had erred by not punishing Bear Stearns shareholders more severely. The secretary, then 62, went on to describe his former colleague for placing Fannie and Freddie into “conservatorship”—a government seizure designed to allow the firms to continue operations despite heavy losses in the mortgage markets.

SHARES RALLY

At the time Paulson privately addressed the fund managers at Eton Park, he had given the market some positive signals—and the JPEGs’ shares were rallying, with Fannie Mae’s nearly doubling in four days. William Black, associate professor of economics and law at the University of Missouri-Kansas City, can’t understand why Paulson felt impelled to share the Treasury Department’s plan with the fund managers.

“You just never ever do that as a government official and never use nonpublic information to market participants,” says Black, who’s a former general counsel at the Federal Home Loan Bank of San Francisco.

“There were no legitimate reasons for those disclosures,”

Janet Tavakoli, founder of Chicago-based financial consulting firm Tavakoli Structured Finance Inc., says the meeting fits a pattern.

“What is this but crony capitalism?” she asks. “Most people have had their fill of it.”

A LAWYER’S ADVICE

The fund manager who presided at the meeting left after coffee and called his lawyer. The attorney’s quick conclusion: Paulson’s talk was material nonpublic information, and his client should immediately stop trading the shares of Washington-based Fannie Mae and McLean, Virginia-based Freddie.

GOLDMAN ALUMS

One other Goldman Sachs alumnus was at the meeting: Frank Brosens, founder and principal of Capital Advisors LLP, who worked at Goldman as an arbitrageur and who was a protege of Robert Rubin, who went on to become Treasury secretary.

Non-Goldman alumni who attended included short seller James Chanos of Kynikos Associates Ltd., who helped uncover the Enron Corp. accounting fraud; GS Capital Partners LP co-founder Bennett Goodman, who sold his firm to Blackstone Group LP (BX) in early 2008; Roger Altman, chairman, who sold his firm to Blackstone Group LP; and Steven Rattner, a co-founder of private-equity firm Quadrangle Group LLC, who went on to become head of Tavakoli’s firm.

[From the New York Times, Nov. 28, 2011] JUDGE BLOCKS CITIGROUP SETTLEMENT WITH S.E.C.

(BY EDWARD WYATT)

WASHINGTON—Taking a broad swipe at the Securities and Exchange Commission’s practice of allowing companies to settle cases without admitting that they had done anything wrong, a federal judge on Monday rejected a $285 million settlement between Citigroup and the agency.

The judge, Jed S. Rakoff of United States District Court for the Southern District of New York, said that he could not determine whether the agency’s settlement with Citigroup was “fair, reasonable, adequate and in the public interest,” as required by law, because the agency had claimed, but had not proved, that Citigroup committed fraud.

As it does in recent cases involving Bank of America, JPMorgan Chase, UBS and others, the agency proposed to settle the case by levying a fine on Citigroup and allowing it to make no admission of wrongdoing. It had broken a settlement with Bear Stearns shareholders more severely. The secretary, then 62, went on to describe his former colleague for placing Fannie and Freddie into “conservatorship”—a government seizure designed to allow the firms to continue operations despite heavy losses in the mortgage markets.

While other judges are not obligated to follow Judge Rakoff’s opinion, his 15-page ruling could severely undermine the agency’s enforcement efforts if it eventually blocks the agency from settling cases in which the defendant does not admit wrongdoing.

The agency contends that it must settle most of the cases it brings because it does not have the staff to battle deep-pocketed Wall Street firms in court.

Wall Street firms will rarely admit wrongdoing, the agency says, because that can be used against them in investor lawsuits.

The agency in particular, Judge Rakoff argued, “has a duty, inherent in its statutory mission, to see that the truth emerges.” But it is difficult to determine what is true in such circumstances “even when viewed by Wall Street firms as a cost of doing business.”

According to the Securities and Exchange Commission, Citigroup stuffed a $1 billion mortgage fund that it sold to investors in 2007 with securities that it believed would fall so that it could bet against its own customers and profit when values declined. The fraud, the agency said, was in Citigroup’s falsely telling investors that an independent party was choosing the portfolio’s investments.

Citigroup settled with the deal and investors lost $700 million.

Judge Rakoff said the agency settlement policy—“hallowed by history, but not by reason”—creates substantial potential for abuse because “it asks the court to employ its power and assert its authority when it does not know the facts.” That undermines the constitutional separation of powers, he said, by asking the judiciary to rubber-stamp the executive branch’s interpretation of the law.

The judge agreed with the agency’s findings of wrongdoing for years. “I also believe the settlement fully complies with long-established legal standards. In the event that we are tried, we would present substantial factual and legal defenses to the charges.”

In his decision, Judge Rakoff called Citigroup a “law-abiding’’ or repeat offender for having Previously settled other fraud cases with the agency where it neither admitted nor denied the allegations but agreed never to do it again. In a case involving a public agency with consequences that affect the public interest, there has to be some kind of acknowledgment that certain things did occur, he said.

The judge also noted the difference between the agency’s settlement with Citigroup and its settlement last year with Goldman Sachs in a similar mortgage-deceptives case. Goldman was required to say that its marketing materials for the product “contained incomplete information.”

In the Citigroup case, no such facts were agreed on. “An application of judicial power that does not rest on facts is worse than mindless, it is inherently dangerous,” Judge Rakoff wrote. “In any case like this that touches on the transparency of financial markets whose gyrations have so depressed our economy and debilitated our lives, there is an overriding public interest in knowing the truth.”

Mr. Khuzami took issue with the judge’s characterization of the settlement “These are the facts” that underlie the reasoned conclusions of the federal agency responsible for the enforcement of the securities laws after a thorough and careful investigation of the facts.”

Barbara Black, a professor at the University of Cincinnati College of Law who edits the Securities Law Prof Blog, said that the decision was interesting because Judge Rakoff carefully treads the line between the deference that judges are supposed to show to regulatory agencies while also ensuring that the court does not simply rubber-stamp decisions.

In a legal dispute between two private parties, they can agree to whatever settlement they desire. But in a case involving a public agency with consequences that affect the public interest, there has to be some kind of acknowledgment that certain things did occur, she said.


MISSION

Maintain a strong economy and create economic and job opportunities by promoting growth and stability at home and abroad, strengthen national security by combating threats and
protection is critical to the nation’s financial infrastructure, such as the production of coin and currency, the disbursement of payments to the American public, revenue collection, and the borrowing of funds necessary to run the federal government. The Department works with other federal agencies as well as international financial institutions to encourage global economic growth, raise standards of living, and to the extent possible, prevent economic and financial crises. The Treasury Department also performs a critical and far-reaching role in enhancing national security by implementing economic sanctions against foreign threats to the U.S., identifying and targeting the financial support networks of national security threats, and improving the safeguards of our financial systems.

ORGANIZATION

The Department of the Treasury is organized into two major components: the Departmental offices and the operating bureaus. The Departmental Offices are primarily responsible for the formulation of policy and management of the Department as a whole, while the operating bureaus carry out the specific operations assigned to the Department. Our bureaus make up 98% of the Treasury work force. The basic functions of the Department of the Treasury include:

- Managing Federal finances;
- Investigating and prosecuting tax evaders, forgers, and counterfeiters, and forgers.
- Enforcing Federal finance and tax laws;
- Supervising national banks and thrift institutions;
- Collecting taxes, duties and monies paid to and due to the U.S. and paying all bills of the U.S.;
- Currency and coinage;
- Managing Government accounts and the public debt;
- Advising on domestic and international financial, monetary, economic, trade and tax policy;
- Enforcing Federal finance and tax laws;
- Investigating and prosecuting tax evaders, counterfeiters, and forgers.

FIXING A BROKEN WASHINGTON

The Speaker pro tempore. The Chair recognizes the gentleman from Indiana (Mr. YOUNG) for 5 minutes.

Mr. YOUNG of Indiana. Mr. Speaker, I rise today to speak on behalf of the overwhelming majority of my southern Indiana constituents.

A year ago, they sent me to this body to give a voice to their frustrations with Washington—a frustration I shared then and share now more than ever. The American people’s frustration stems from a lack of real progress in addressing America’s most pressing and fundamental challenges: Federal spending, our national debt, job creation, and the decline of the middle class. Our fellow citizens have concluded what I, too, have concluded—Washington is broken, and no one is in a hurry to fix it.

Congress hasn’t passed a balanced budget in over a decade. The Senate has passed no sort of budget in 3 years. Our debt recently topped $15 trillion, and our unemployment rate hovers around 9 percent. Instead of trying to fix our problems, Washington would rather argue about who’s to blame for causing our problems. Sure, there’s a lot of agreement as to what’s wrong with our country, but not a lot of action geared towards making anything right. Our President and too many in this Congress would rather demagogue and demonize than lead and legislate. Washington is broken, and nobody’s in a hurry to fix it.

While many of our constituents are struggling to find a second, and in some cases a third, job, Washington is failing to perform its only job—governing. Is it any wonder that so many Americans are frustrated?

These aren’t Republican problems or Democrat problems. They’re not House problems or Senate problems; these are Washington problems. Unfortunately, after 11 months on the job, I’ve seen far too few Washingtonians ready to make tradeoffs, ready to compromise, ready to implement the necessary solutions that will make a better life for those who sent us here. We came with the ideas into workable solutions and, ultimately, to implement those solutions to make a better life for those who sent us here. We came with the same sense of urgency that the American people expect of us.

But Washington is broken. Too many people in this city resist publicly committing to hard, workable solutions because parroting talking points is so much easier. But until we get down to brass tacks, we’ll continue to talk past one another.

So I make this entreaty to all of my colleagues: whether you are a Republican or a Democrat, commit to proposing workable solutions. Get into the details. Put them on paper. Until both sides put a specific, written, scoreable plan on the table, we’ll never find the common ground necessary to strike that grand bargain. In the absence of specifics, we’re just playing politics. That’s why Washington is broken.

Now, earlier this year, those of us on the Budget Committee introduced a comprehensive plan that would reduce our deficit over the next decade by over $6 trillion. It would balance the budget and start paying down our debt. It would create an environment where jobs could flow. It would grow, and it would save and strengthen our safety net programs like Medicare and Medicaid. Most importantly, it addressed the tough choices we must make to pursue our economic recovery.

Many of us came to Washington this year, some of us new to government, to offer solutions. We came ready with ideas. We came ready to defend those ideas, to respond to criticisms, to make the ideas into workable solutions and, ultimately, to implement those solutions to make a better life for those who sent us here. We came with the same sense of urgency that the American people expect of us.

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