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March 31, 2011

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

The Honorable Timothy Geithner
Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

John Walsh
Acting Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

Dear Chairman Bernanke, Secretary Geithner, and Mr. Walsh:

I am writing to express my serious concerns about the Arab Banking Corporation -- a bank that is over 59 percent owned by the Central Bank of Libya -- which has received over \$26 billion in near zero interest rate loans from the Federal Reserve and currently has two branches located in New York City.

As a result of a provision I authored in the Wall Street Reform and Consumer Protection Act, we learned that from December 20, 2007 through March 11, 2010, the Federal Reserve provided over 45 emergency loans to the Arab Banking Corporation with an interest rate as low as 0.25%. All of these loans were backed by collateral in U.S. Treasury Securities purchased by the Arab Banking Corporation. In other words, at the same time that the Arab Banking Corporation was borrowing money from one arm of the U.S. government at near zero interest rates, it was also lending money to the U.S. Treasury and receiving a higher interest rate.

It is incomprehensible to me that while credit worthy small businesses in Vermont and throughout the country could not receive affordable loans, the Federal Reserve was providing tens of billions of dollars in credit to a bank that is substantially owned by the Central Bank of Libya. To make matters worse, our assistance to this Libyan-controlled bank did not end there.

On March 4, 2011, the Treasury Department exempted from economic sanctions the Arab Banking Corporation and any other bank that is owned or controlled by the Libyan government operating under the laws of a different country. Since the 59-percent Libyan-owned Arab Banking Corporation is headquartered in and operates under the laws of Bahrain, it is today escaping the economic sanctions imposed to hobble Muammar Gaddafi's brutal regime. This raises a numbers of critical questions:

- Why would the U.S. government exempt the Arab Banking Corporation from economic sanctions when it is primarily owned by the Central Bank of Libya?
- How many U.S. Treasury Securities does the Arab Banking Corporation currently own?
- How much money has the Federal Reserve lent to the Arab Banking Corporation since December 1, 2010?

More broadly:

- Is it in the United States' interest to be borrowing and lending money from a bank that is predominantly owned by the Central Bank of Libya?
- How many U.S. Treasury Securities did the Arab Banking Corporation purchase when it was borrowing money from the Federal Reserve's various emergency lending facilities?

Finally, Chairman Bernanke, when I asked you why the Federal Reserve extended these emergency loans to the Arab Banking Corporation last December, you responded that the Federal Reserve provides lending to U.S. branches and agencies of foreign banks on the same terms that it provides to U.S. depository institutions. The Arab Banking Corporation has a U.S. branch and a Grand Cayman branch both located in New York City. This raises another disturbing question:

- Why would the U.S. government allow a bank that is predominantly owned by the Central Bank of Libya -- an institution on which the U.S. has imposed strict economic sanctions -- to operate two banking branches within our own borders?

I trust that you will agree with me that the American people deserve answers to these questions. Thank you in advance for your attention to this important issue.

Sincerely,



Bernard Sanders
United States Senator