Congress of the United States
Washington, DC 20515

April 26, 2010

The Honorable Mary Schapiro
Chairwoman
U.S. Securities and Exchange Commission
100 F St. NE
Washington, DC 20549

Dear Chairwoman Schapiro:

Thank you for your continued efforts to restore the role of the Securities and Exchange Commission (SEC), "to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation." The SEC announcement of civil securities fraud charges against Goldman Sachs and Fabrice Tourre is welcome news to both investors and the taxpayers who bailed out Wall Street. The failure of the Bush administration to enforce these laws ultimately undermined the financial markets and contributed to the economic turmoil of the last three years.

As you know, the SEC complaint makes disturbing allegations of fraud against Goldman Sachs. The SEC has alleged that Goldman Sachs enticed investors into long positions in a synthetic collateralized debt obligation (CDO), while unbeknownst to investors the CDO was specifically designed by hedge fund manager John Paulson to generate losses to enhance short positions taken by Paulson. We are grateful that the SEC is seeking a court order for Goldman Sachs "to disgorge all illegal profits that they obtained as a result of their fraudulent misconduct." The U.S. taxpayer deserves nothing less.

The complaint is based on a single CDO known as ABACUS 2007-AC1. However, the ABACUS 2007-AC1 offering was part of a series of 25 such CDOs, all arranged by Goldman Sachs. It is not beyond the realm of comprehension that the 24 remaining ABACUS transactions included similar materially misleading statements to investors in order to protect Goldman's internal proprietary bets, or other coveted counterparties like Mr. Paulson.

Seven of the ABACUS CDOs were guaranteed by credit default swaps from the American International Group (AIG). These seven AIG-insured CDOs contributed to billions of dollars in losses at AIG according to the New York Times.
Should any of these transactions be found to include fraudulent conduct, any resulting contractual payments from AIG-issued credit default swaps could be viewed as ill-gotten gains. In light of the U.S. Treasury and Federal Reserve Bank of New York's extensive and unprecedented support of the insurance giant and the $12.9 billion in taxpayer dollars that AIG transferred to Goldman Sachs to settle the bad credit default swaps, it is imperative that the SEC pursue the recovery from Goldman Sachs of any fraudulently obtained AIG payments.

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Accordingly, we request that the SEC, with all due haste, pursue investigations into the remaining 24 ABACUS transactions for securities fraud, evaluate the extent of any receipt, by Goldman Sachs, of fraudulently-generated AIG-issued credit default swap payments, and vigorously pursue the recovery of such payments on behalf of the U.S. taxpayer. Finally, should this or any subsequent investigation uncover criminal misconduct, we implore you to refer those matters to the Department of Justice for the appropriate prosecution.

Again, we appreciate the enforcement efforts of the SEC, and look forward to monitoring the progression of this landmark case.

Sincerely,

Elijah E. Cummings
Member of Congress

Peter DeFazio
Member of Congress

Dennis Cardoza
Member of Congress

Stephanie Herseth-Sandlin
Member of Congress

John Conyers
Member of Congress

John Dingell
Member of Congress

George Miller
Member of Congress

Ike Skelton
Member of Congress

Brad Miller
Member of Congress

Jackie Speier
Member of Congress

John Garamendi
Member of Congress

Keith Ellison
Member of Congress

Marcy Kaptur
Member of Congress

Christopher Carney
Member of Congress

Gene Taylor
Member of Congress

Stephen Lynch
Member of Congress

Bill Pascrell, Jr.
Member of Congress

Peter Welch
Member of Congress

Chellie Pingree
Member of Congress

Phil Hare
Member of Congress

Betty Sutton
Member of Congress

Betsy Markey
Member of Congress

Pete Stark
Member of Congress

John Tierney
Member of Congress

David Loebsack
Member of Congress

Carol Shea-Porter
Member of Congress

Mazie Hirono
Member of Congress

Bob Filner
Member of Congress

Jesse Jackson, Jr.
Member of Congress

Maurice Hinchey
Member of Congress

Michael Capuano
Member of Congress

Brian Baird
Member of Congress

Joe Baca
Member of Congress

Bennie Thompson
Member of Congress

Earl Blumenauer
Member of Congress

Dale Kildee
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Mark Schauer
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Betty McCollum
Member of Congress

Martin Heinrich
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Michael Michaud
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Dennis Kucinich
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Timothy Walz
Member of Congress

Mike Thompson
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Lynn Woolsey
Member of Congress

Bart Stupak
Member of Congress

Raúl Grijalva
Member of Congress

Linda Sanchez
Member of Congress

Lois Capps
Member of Congress

Anna Eshoo
Member of Congress

Joe Donnelly
Member of Congress

Barbara Lee
Member of Congress

Alan Grayson
Member of Congress

Steven Rothman
Member of Congress

Dina Titus
Member of Congress

Tim Ryan
Member of Congress

Tom Perriello
Member of Congress

Janice Schakowsky
Member of Congress

Lloyd Doggett
Member of Congress

Bruce Braley
Member of Congress

Mary Jo Kilroy
Member of Congress

cc: The Honorable Neil Barofsky, Special Inspector General for the Troubled Asset Relief Program

The Honorable Elizabeth Warren, Chair, Congressional Oversight Panel

The Honorable Eric Holder, Attorney General of the United States