

## Treasury nominee on hold over interest rate scandal

Written by Grassley Press

Friday, 16 November 2012 10:02

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WASHINGTON -- Sen. Chuck Grassley of Iowa and Sen. Mark Kirk of Illinois today announced they will object to Senate consideration of a Treasury Department nominee over the Treasury Department's lack of a response to the senators' letter seeking an explanation of apparent inaction to stem the dominance and inform the public of a rigged interest rate that affects mortgages, student loans, credit cards and other loans.

"Taxpayers need to know there's a cop on the beat at the Treasury Department, making sure the interest rates they pay on everything from home loans to retirement investments aren't rigged," Grassley said. "If the attitude of the Treasury Secretary is that it isn't his responsibility to take action or to tell the public, that's going to harm confidence in our financial system and create a lack of certainty."

Grassley placed a statement in the Senate floor record, stating that he and Kirk will object to Senate consideration of Richard Berner to head the Office of Financial Research within the Department of the Treasury. That office came about through the Dodd-Frank law and is designed to conduct studies and accumulate financial data. The text of Grassley's statement follows here:

"Mr. President. I, Senator CHUCK GRASSLEY along with Senator Mark Kirk, intend to object to

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proceeding to the nomination of Richard Berner to head the Office of Financial Research within the Department of the Treasury.

“We will object to proceeding to the nomination because the Department of the Treasury has refused to respond to a letter Senator Kirk and I sent on October 2, over six weeks ago, regarding the Treasury Secretary’s actions when he became aware of the manipulation of the London Interbank Overnight Rate – or LIBOR. The Department has also refused to provide the documents we requested.

“In addition, my staff has, on several occasions, attempted to schedule briefing times that are convenient for the Department. The Treasury Department has cancelled each of these briefings and failed to cooperate in rescheduling at a mutually agreeable time.

“Because everything from home mortgages to credit cards was pegged to LIBOR, its manipulation affects almost every American. Given the widespread effects of this manipulation, it is disturbing to see that the Treasury Department has thus far refused to answer basic questions and provide essential documents.

“It is critical for Congress to be able to ask questions and to have access to administration documents in order to conduct vigorous and independent oversight. It is unfortunate that this administration, which has pledged to be the most transparent in history, consistently falls short of that goal.”

In congressional testimony earlier this year, Geithner said that when as president of the Federal Reserve Bank of New York, he became aware of concerns that the LIBOR rate was being rigged, he deferred to the British central bankers to fix the problem. Despite those concerns, Geithner appears not to have taken action “to diminish use of this flawed index in U.S. financial markets; to the contrary, Treasury’s use of LIBOR has increased,” Grassley and Kirk wrote in their Oct. 2 letter to Geithner.

Grassley and Kirk asked Geithner to answer questions including whether the Treasury Department considered the risk to U.S. borrowers, including state, municipal, and local governments facing higher debt burdens as a result of the LIBOR scandal; whether U.S. officials considered the litigation risks to U.S. borrowers in deciding to raise the LIBOR scandal

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only to the attention of British central banks rather than U.S. lenders and borrowers; and whether the Treasury Department's continued reliance on LIBOR is affecting borrower access to Small Business Administration loans.

Grassley and Kirk concluded, "In the wake of this scandal, we believe that it is essential to undertake steps to consider the creation of an American-based interest rate index. If U.S. investors and borrowers have suffered financial harm from our dependence on an index set in London, they have the right to expect the country's leaders to support better alternatives. Complacency in the wake of losses and lawsuits will diminish both investor and borrower confidence regarding debt securities issued in U.S. financial markets."

The text of the Grassley-Kirk Oct. 2 letter to Geithner is available [here](#).