



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 4, 2012

The Honorable Christy L. Romero
Special Inspector General
for the Troubled Asset Relief Program
1801 L Street, NW, 4th Floor
Washington, D.C. 20036

Re: Status Update on Recommendations in the SIGTARP Quarterly Report

Dear Ms. Romero:

This letter responds to your request to describe the actions taken by the U.S. Department of the Treasury (Treasury) in response to the outstanding recommendations to the Office of the Special Master for TARP Executive Compensation (OSM) for companies receiving exceptional assistance under the Troubled Asset Relief Program (TARP) since the Special Inspector General for the Troubled Asset Relief Program's (SIGTARP) *Quarterly Report to Congress*, dated July 25, 2012. Enclosed please find an update on SIGTARP's recommendations to OSM. We appreciate the recommendations you have made as well as the constructive relationship we have with you and your team. We look forward to continuing to work together as we move forward.

Sincerely,

Patricia Geoghegan
Acting Special Master
for TARP Executive Compensation

Enclosure

**The U.S. Department of the Treasury
Office of the Special Master for TARP Executive Compensation
Status Update on SIGTARP's Outstanding Recommendations**

October 4, 2012

The Department of the Treasury (Treasury) welcomes the recommendations on the Troubled Asset Relief Program (TARP) from the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP). This update serves as a status report on Treasury's response to SIGTARP's open recommendations to the Office of the Special Master for TARP Executive Compensation (OSM) for companies receiving exceptional assistance under TARP.

Treasury has given careful consideration to all of SIGTARP's recommendations. Treasury's policies and programs currently address many of the issues you have raised, and in many cases Treasury has taken specific actions to implement your recommendations. When we determined that a recommendation would not help carry out Treasury's statutory duties under the Emergency Economic Stabilization Act, we developed alternative methods to address SIGTARP's underlying concerns and explained those methods in our summary responses to SIGTARP and to Congress.

As I explained in my July 10, 2012 letter to you, OSM considers your first two recommendations implemented and closed. For your third recommendation, please see below.

Recommendation: The Office of the Special Master should develop more robust policies, procedures, or guidelines to help ensure that its pay determination process and its decisions are evenhanded. These measures will improve transparency and help the Office of the Special Master consistently apply the Interim Final Rule principles of "appropriate allocation," "performance-based compensation," and "comparable structures and payments."

Treasury agrees that it is important to have policies and procedures in place, which is why the Office of the Special Master developed and outlined its policies, procedures, and guidelines in its top 25 determination letters and accompanying fact sheets for each of 2009, 2010, 2011, and 2012. Treasury also believes in the importance of open and transparent information, which is why the Office of the Special Master has always made its determination letters, and those policies, procedures, and guidelines, publicly available at www.financialstability.gov. Note that the website was recently redesigned, as of July 2012, to be more user-friendly and include updates to program descriptions. Nevertheless, the Office of the Special Master has held a number of meetings to discuss possible changes to its policies and procedures, and continues to carefully focus on how it can further develop and articulate its policies, procedures, and guidelines. OSM considers this recommendation in process, and will update SIGTARP as to any developments.