

GAO Highlights

Highlights of [GAO-13-630](#), a report to congressional committees

Why GAO Did This Study

CPP was established as the primary means of restoring stability to the financial system under the Troubled Asset Relief Program (TARP). Under CPP, Treasury invested almost \$205 billion in 707 eligible financial institutions between October 2008 and December 2009. As of May 31, 2013, 151 institutions remained in the program with under \$6 billion in outstanding investments. TARP's authorizing legislation requires GAO to report every 60 days on TARP activities. This report examines (1) the extent to which Treasury has sold CPP investments through auctions and the returns on those investments and (2) the CPP auction process and institutions' views on the process.

To conduct its work, GAO reviewed Treasury documents and financial data on auction participants. GAO also interviewed officials from Treasury and the Securities and Exchange Commission, representatives from auction participants, and others.

View [GAO-13-630](#). For more information, contact A. Nicole Clowers at (202) 512-8678 or clowersa@gao.gov.

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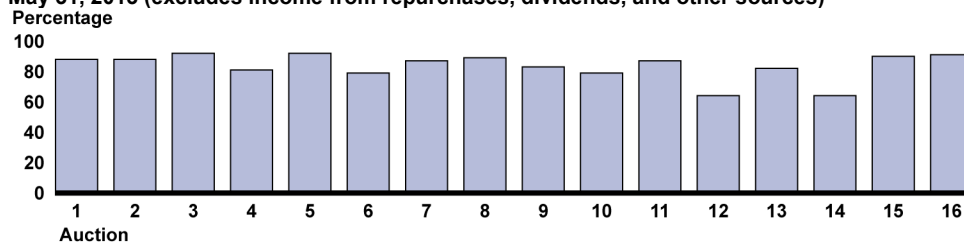
TROUBLED ASSET RELIEF PROGRAM

Treasury's Use of Auctions to Exit the Capital Purchase Program

What GAO Found

The U.S. Department of the Treasury (Treasury) has increasingly used auctions to sell its Capital Purchase Program (CPP) investments. Initially, Treasury relied primarily on financial institutions redeeming their shares to wind down the program. However, in March 2012 Treasury began using auctions to exit CPP, and more institutions have exited the program through auctions than through any other method since then. As of May 2013, Treasury has held 16 auctions, selling 128 investments for total proceeds of about \$2.4 billion. Each auction has involved the sale of an institution's outstanding investment, also known as the par amount. In most cases, the final sales price was below the par amount, and in total Treasury received 84 percent of par in the first 16 auctions. Through these auctions, repurchases, and other mechanisms, 556 institutions had exited CPP as of May 31, 2013, accounting for almost \$223 billion in repayments and income and exceeding the original investment amount by about \$18 billion.

Total Sales Proceeds as a Percentage of Treasury's Outstanding Investment by Auction, as of May 31, 2013 (excludes income from repurchases, dividends, and other sources)



Source: GAO analysis of Treasury and SNL Financial data.

Note: Auction proceeds have accounted for \$2.4 billion of the nearly \$223 billion in total program income. Program income to date exceeds the original investment amount by about \$18 billion.

Treasury has structured the auctions to maximize taxpayer returns, but representatives from some of the 13 financial institutions that participated in the auctions told GAO that they had concerns about the process. Treasury selected institutions for auctions based on, among other things, the size of the institution's CPP investment and its dividend payment record. Treasury then notified the institutions that their securities were going to be auctioned, and the institutions were required to submit certain documentation to Treasury. Representatives of some institutions, mostly from earlier auctions, told GAO that the process was rushed and left them with limited notice to prepare the required documentation and insufficient time to obtain regulatory approval to bid on their own shares. Treasury officials said they would have been willing to move an institution to a later auction if it needed more time to prepare, and while representatives of a few institutions that participated in later auctions felt the process was rushed, other institutions said they had more time to prepare. Representatives of some institutions expressed frustration that they did not have the option to match the winning bid to retain ownership of their shares. Treasury officials said that any changes to the process that benefitted the financial institution would make the process less competitive for other bidders at the expense of taxpayers and would contradict Treasury's goal of structuring the process to increase competition and maximize returns for taxpayers.