

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

August 4, 2015

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th St. NW
Washington, D.C. 20249

Dear Chairman Gruenberg:

The Governor of the Commonwealth of Puerto Rico recently announced that roughly \$72 billion of Puerto Rico's debt is at risk of default,¹ and yesterday, the Government Development Bank for Puerto Rico stated that it failed to make a full payment on bonds due August 1, which Moody's characterized as a default.² Since that declaration, concerns have been raised over the solvency of banks both in and outside of Puerto Rico that hold the Commonwealth's debt, and whether those institutions are prepared to deal with the potential default.

The Subcommittee on Oversight and Investigations (Subcommittee) is investigating what measures the FDIC is taking to ensure financial stability and public confidence in the event of a Puerto Rican debt default. Accordingly, to allow the Subcommittee to carry out its oversight responsibilities under the House Rules,³ please provide the following information and documents by no later than August 18, 2015:

- (1) Explain how the FDIC is preparing to address the potential insolvency of some or all of the Commonwealth's banking institutions;
- (2) Provide a detailed overview of how well Puerto Rican banks are capitalized, and how much Commonwealth or other debt they hold that is in danger of default;

¹ See Michael Corkery and Mary Williams Walsh, *Puerto Rico's Governor Says Island's Debts Are Not Payable*, NEW YORK TIMES (June 28, 2015), available at <http://www.nytimes.com/2015/06/29/business/dealbook/puerto-ricos-governor-says-islands-debts-are-not-payable.html>.

² See Statement from Gov't Dev. Bank President Melba Acosta Febo on the Service of Public Finance Corporation (PFC) Bonds (Aug. 3, 2015) (available at <http://www.gdb-pur.com/documents/GDBStatementonPaymentofPFCBonds080315.pdf>); Megan Davies, *Puerto Rico defaults on bond payment, pays fraction of \$58 mln*, REUTERS (Aug. 3, 2015), available at <http://www.reuters.com/article/2015/08/03/usa-puertorico-default-idUSL1N10E0M720150803>.

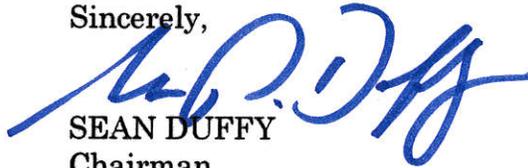
³ See Rule X, Rules of House of Representatives, 114th Cong.

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- (3) Identify U.S. banking institutions that hold significant Puerto Rican debt portfolios, and explain how the FDIC is monitoring or working with those banks to ensure that a default will not cause financial instability;
- (4) Provide details regarding the FDIC's contact with the Office of the Commissioner of Financial Institutions of Puerto Rico (*Oficina del Comisionado de Instituciones Financieras*, OCFI);
- (5) Advise if any banking institutions in Puerto Rico or elsewhere have contacted the FDIC to express concern about potential defaults, and how the FDIC responded to such inquiries; and
- (6) All correspondence between the FDIC and OCFI relevant to the solvency of Puerto Rican banks.⁴

If you have any questions regarding this request, please contact Elie Greenbaum of the Committee staff at (202) 225-7502.

Sincerely,



SEAN DUFFY
Chairman
Subcommittee on Oversight
and Investigations

cc: The Honorable Al Green, Ranking Member

⁴ The OCFI posted an undated notice to its website that it had "received several queries by citizens who . . . want to know if [a] lack of access to bank deposits is possible in Puerto Rico," and had responded by stating "[t]he definite answer is NO." *Greece's Financial/Banking Crises Bear No Relationship to Puerto Rico and its Banking System*, OFFICE OF THE COMM'R OF FIN. INST. OF P.R., <http://www.ocif.gobierno.pr/documents/Noticias/GREECE.pdf> (last visited July 23, 2015). The OCFI further explained that "Puerto Rico commercial bank's deposits are guaranteed by the Federal Deposit Insurance Company to a maximum of \$250,000 per person." *Id.*