



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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### REFORM OF TREASURY'S EXCHANGE STABILIZATION FUND (ESF) INTRODUCED

— Bill Mandates Transparency and Accountability —

WASHINGTON, D.C. – Legislation providing fundamental reforms of the Treasury's Exchange Stabilization Fund (ESF) has been introduced and designated as H.R. 1540, Joint Economic Committee (JEC) Vice Chairman Jim Saxton said today. The bill, the *ESF Transparency and Accountability Act*, would require transparency in ESF finances and operations; Congressional approval for uses of the ESF in excess of \$1 billion in all but exceptional circumstances; and an end to the monetization of certain obligations of the International Monetary Fund (IMF) held by the ESF.

"This reform would open the ESF to public scrutiny and restore some measure of balance in international economic policy," Saxton said. "The excessive secrecy cloaking ESF finances and operations is unnecessary and should be ended. The ESF holds the equivalent of about \$40 billion, and taxpayers have a right to know exactly what the government is doing with their money. **The ESF is virtually exempt from the appropriations process, with the Executive Branch exercising exclusive control of its operations.**

"For too long the Treasury has conducted ESF operations without open review by Congress, academics and independent researchers, or the press. It is time for the Treasury to practice the transparency and openness that it preaches to others in the international community. Monthly reports publicly detailing the financial position and operations of the ESF would be mandated by this reform.

"In addition to the transparency requirements, the legislation includes a provision to improve accountability and balance in policy decisions regarding the ESF. Direct or indirect use of the ESF involving over \$1 billion would require Congressional approval, except in unusual circumstances. This provision generally will ensure that Congress has been fully informed and has approved of actions to be undertaken in connection with the ESF. The characteristic secrecy reflected in the recent use of the ESF in the Brazilian bailout would be ended, and public Congressional debate and approval of such actions would ordinarily be required.

"The third major reform is the elimination of the authority to monetize special drawing rights (SDRs) issued by the IMF. Currently the Federal Reserve can be asked by the Treasury Secretary to monetize these IMF obligations, and the reform bill would end this practice. About one fourth of ESF holdings are comprised of SDRs, most of which have been monetized.

"The ESF reform proposal is a product of the JEC's extensive review of IMF operations and related issues. This research indicates that steps toward increased transparency at the IMF will not be as meaningful if IMF decisions can be carried out by less transparent means through the ESF and the Bank for International Settlements (BIS). Furthermore, the ESF is an important link in the U.S. relationship with the IMF, and consistency requires a significant advancement of transparency and accountability in ESF operations. This legislation expands the scope and principles of policy changes proposed in international economic policy to the ESF," said Saxton.

For more information on international economic policy, please visit the JEC website at [www.house.gov/jec](http://www.house.gov/jec). This website recently was designated one of the top three committee websites on Capitol Hill by the non-partisan Congressional Management Foundation.

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