

# CONGRESSIONAL OVERSIGHT PANEL

*Elizabeth Warren, Chair | Sen. John K. Sullivan | Rep. Jeb Hensarling | Richard H. Neuman | Dianne Silvers*

April 16, 2009

The Honorable Ben S. Bernanke  
Chairman  
Board of Governors of the Federal Reserve System  
Room 2046  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Dear Chairman Bernanke:

The actions of the Department of the Treasury, and the Federal Reserve Board, in providing continued capital infusions and other assistance to the American International Group, Inc., have raised a number of important questions. These include the economic consequences of such assistance, the ultimate beneficiaries of the assistance, and the manner in which the objectives of the assistance have been defined, and their fulfillment monitored, by Treasury and the Board. The Congressional Oversight Panel is concerned about these issues. It is particularly concerned that the opaque nature of the relationship among AIG, its counterparties, the Treasury, the Board, and the Federal Reserve Banks, particularly the Federal Reserve Bank of New York, has substantially hampered oversight of the Troubled Assets Relief Program by Congress and, equally important, has impaired the understanding of that Program by the American people.

I am writing to you, as Chair of the Panel, to secure, from the Federal Reserve Board, the information specified below (the "specified information"). The specified information is necessary for the Panel to carry out section 125 of the Emergency Economic Stabilization Act, and this information request is made pursuant to section 125(e)(3) of that Act. (The Panel has sent letters requesting the same information to the Secretary of the Treasury and to the President of the Federal Reserve Bank of New York.)

The specified information is as follows:

1. All information relating to any request for, or any analysis of the need for, the provision of any financial assistance to the American International Group, Inc. ("AIG"), to whomever such request was made or by whomever such analysis was undertaken.
2. All information about the risk to the national and international financial systems, and any part of those systems, or to the financial condition of any financial institution or institutions in the United States, other countries, or both, if the financial condition of AIG were to deteriorate or if AIG were to become insolvent or forced to enter receivership or bankruptcy reorganization.

3. All information relating to the nature and provision by the Government<sup>1</sup> of any financial assistance to AIG, any conditions placed by the Government on any such assistance, and the use by AIG of such assistance, including, but not by way of limitation, any conditions placed on the grant or use of such assistance, and any use of such assistance to satisfy any obligation or liability of AIG to any person, including, but not by way of limitation, any non-United States person.

4. All information relating to (i) the identity of each counterparty of AIG (an "AIG counterparty") on any credit default swap or similar instrument written, sold, or held, by AIG, and any loan of securities or similar transaction entered into between AIG and each AIG counterparty, outstanding on or after January 1, 2008, (ii) the amount of the monetary exposure of AIG to such counterparty, (iii) the amount of the monetary exposure of such AIG counterparty to AIG, including, but not by way of limitation, the amount of collateral due from, and potential loss faced by, each counterparty of AIG, both absolutely and as a percentage of the total dollar amount of all transactions outstanding between AIG and such counterparty, in the event that the credit rating of AIG were downgraded, the financial condition of AIG were to deteriorate, or AIG were to become insolvent or forced to enter receivership or bankruptcy reorganization, and (iv) any other relationships, economic or otherwise, between AIG and any such AIG counterparty.

5. All information relating to value of any credit default swap, similar instrument, or securities loan as shown on the financial statements of AIG filed with the United States Securities and Exchange Commission (the "SEC"), on Form 10K for 2007, including, but not by way of limitation, (i) the accounting and valuation methods and conventions used to arrive at such value, (ii) whether such methods were in accordance with "generally accepted accounting principles," as defined by the Financial Accounting Standards Board for purposes of the reporting of financial results to the SEC, and (iii) the Government's assessment of the accuracy of such valuation, at all relevant periods comprehended by the questions contained in this letter.

6. All information relating to each counterparty of each counterparty listed in response to paragraph (4) (that is, each counterparty of each AIG counterparty), and the amount of the exposure of each AIG counterparty to such additional counterparty that reflected AIG's liability to such AIG counterparty, and the extent of the ability of each AIG counterparty to satisfy its obligations to such additional counterparty without the use of assets derived from the financial assistance provided to AIG.

7. All information relating to the facts described in an article entitled "Goldman Insists It Would Have Lost Little if AIG Had Failed," which was published on page B5 of *The New York Times* for Saturday, March 21, 2009.

8. All information relating to the creation by the Federal Reserve Bank of New York of the lending facilities Maiden Lane II LLC, established to fund the purchase of residential-MBS

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<sup>1</sup> Capitalized terms in this letter that are not defined herein are defined in a document entitled "Congressional Oversight Panel – AIG Request, Definitions and Protocol for Document Production and Protection, Dated April 16, 2009," and attached to this letter.

from AIG's securities lending portfolio, and Maiden Lane III LLC, established to purchase collateralized debt obligations on which AIG had written credit default swaps. Such information shall include, but not by way of limitation, the identity of each counterparty or other person from whom purchases were made by either Maiden Lane II LLC, Maiden Lane III LLC, or both, the amount of each such purchase, the consequences of such transactions for the financial condition of AIG, the accounting and valuation methods and conventions used to value any such assets either at the time of purchase or for purposes of determining their value on the balance sheets of either such limited liability company and for determining the consequences of such transactions for the financial condition of AIG, and the current value of the assets of Maiden Lane II LLC and Maiden Lane III LLC, respectively.

9. All information relating to the terms of, and guidelines for, the executive compensation and retention programs of AIG, including, but not by way of limitation, any reports to AIG by external compensation or other consultants concerning the same.

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I would be happy to answer any questions about this letter that you may have. If you would prefer, a member of your staff can contact the Panel's Executive Director, Naomi Baum, to discuss any such questions. Ms. Baum's telephone number is

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Kindly respond to the request for information contained in this letter within twenty-one (21) calendar days from the date of this letter.

Very truly yours,



Elizabeth Warren  
Chair  
Congressional Oversight Panel

Enclosure

Cc: Hon. Timothy F. Geithner,  
The Secretary of the Treasury

Dr. William C. Dudley,  
President  
Federal Reserve Bank of New York

Congressional Oversight Panel – AIG Request

*Definitions and Protocol for Document Production and Protection, dated April 16, 2009*

Documents defined in the letter, dated April 16, 2009 (the "Letter"), from Elizabeth Warren, Chair of the Congressional Oversight Panel (the "Panel"), to Hon. Ben S. Bernanke, Chairman of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), to which this document relates, and not otherwise defined in this document, shall have the same meaning in this document as they have in the Letter.

Definitions.

As used in the Letter:

1. Any reference to "AIG" shall include a reference to any corporation, partnership, joint venture, limited liability company, limited liability partnership, or other entity in which AIG directly or indirectly owns at least 10 per cent of any common stock or other interest, or otherwise exercises voting or effective control.
2. Any reference to "counterparty" shall include the persons or institutions entering into a contract on the opposite sides of a transaction.
3. Any reference to "financial assistance" shall include, but not by way of limitation, any loan or cash infusion or the provision of any guarantee to, and the purchase of assets from, or securities issued by, AIG or any other person, and any regulatory forbearance granted to AIG or any other person.
4. Any reference to "Government" shall include both singly and collectively, (i) the Federal Reserve Board (including the Federal Reserve Banks regardless of their public or private status for any other purpose), (ii) any department, agency or instrumentality of the United States or entity possessing public authority under the laws of the United States, (iii) each State or

territory of the United States, and (iv) any department, agency or instrumentality of any state or territory of the United States or entity possessing public authority under the laws of any state or territory of the United States.

5. Any reference to "information" means any writings, drawings, graphs, charts, photographs, sound recordings, images, and other data or data compilations, by whomever prepared, whether in "hard copy" (i.e., paper) form or stored in any medium from which information can be obtained either directly or, if necessary, after translation by the responding party into a reasonably usable form, as well as the identity of any person employed by or serving as an agent or consultant for the Government, or with whom any employee or agent or consultant of the Government may have communicated, who may have knowledge relevant to the requested information, and information sufficient for the Panel to contact such person, including, but not limited to, such person's name, title, telephone number, and electronic mail address.

6. Any reference to "non-United States person" means any corporation, partnership, joint venture, limited liability company, limited liability partnership, or other entity, organized under the laws of any jurisdiction other than the United States or one or more of the states or territories of the United States.

7. Any reference to the "Federal Reserve Board," or to any other department, agency, or instrumentality of the Government, shall include a reference to any bureau, office, or instrumentality thereof.

Document Production.

1. The specified information is limited to any and all information described in the nine paragraphs of the Letter, that is in the possession of the Federal Reserve Board (directly or subject to physical or electronic storage on behalf of the Federal Reserve Board), or to which the

Federal Reserve Board has access, or the right (whether via existing agreement or under the law) to obtain access. Information is subject to the terms of this request regardless of the source of such information, the person or persons by or on behalf of whom such information was prepared or generated, and the person or persons by whom such information is now held.

2. To the extent that the Federal Reserve Board is aware of any information that is not in the Federal Reserve Board's possession, custody, or control that would otherwise constitute specified information, please provide information sufficient to identify and locate that information and to request its production to the Panel.

3. In the event that information is withheld on any basis, please provide to the Panel a written description of (i) the type of information that is being withheld; (ii) the general subject matter to which the information relates; (iii) the reason such information is being withheld, including, but not by way of limitation, the statute or regulation under which such information is being withheld and the application of such statute or regulation to such information (described with sufficient detail that the Panel can determine the applicability of such statute or regulation to the information); (iv) the date, author, and addressee of such information, if applicable; and (v) the relationship of the author and addressee, if applicable.

4. This request is continuing in nature and applies to any newly discovered information or to information generated or received after the date of the Letter. To the extent that any information is not provided to the Panel because it has not been located or discovered as of the return date or is generated or received after the return date, please produce such information to the Panel as soon as possible after its discovery or, if the information will not be produced for any reason, please provide the Panel with the information requested in the immediately preceding paragraph of this protocol.

Document Protection.

1. Any individual hired or retained by the Panel under the Emergency Economic Stabilization Act § 125(d)(2), will execute a confidentiality agreement with the Panel prior to obtaining access to any portion of the specified information provided to the Panel by the Federal Reserve Board. The agreement will provide that such individual is subject to the ethical and non-disclosure obligations of an employee of the United States Senate and of the Panel. Any issues relating to such obligations may be directed to, and will be addressed by, the Panel's Ethics Counsel.

2. The Panel will not provide any of the specified information directly to the public. Instead, it will refer those who request such specified information to the Federal Reserve Board.

3. The Panel will not disclose the text of any of the specified information in any document originated by the Panel, without notifying the Federal Reserve Board and providing a reasonable time for the Federal Reserve Board to state its objections. Notwithstanding the immediately preceding sentence, the Panel may include a general description or descriptions, analysis, or analyses of any such information in any such document. Any draft of any such documents prepared by any consultant to the Panel will be reviewed by senior staff of the Panel to assure that no improper disclosure has occurred.

4. The Panel does not intend to disclose to the public any trade secret and commercial or financial information that is contained within or as part of any specified information and that is privileged or confidential such that it is subject to the terms of 18 U.S.C. § 1905.

5. We believe that the Panel is generally not authorized to withhold information from Congress, see 31 U.S.C. § 716(e)(3), or from a court. Should the Panel receive a congressional request or court order that would require the Panel to produce any portion of the specified

information, the Panel will notify the Federal Reserve Board of the request prior to disclosure and provide the Federal Reserve Board with the opportunity to express any concerns it may have about such production to the requester or to the court. In addition, the Panel will notify the recipient of the records of the proprietary nature of the material, including using a legend advising that further release may be prohibited by 18 U.S.C § 1905.

6. To ensure the confidentiality and security of the specified information, the Panel will store such information in locked cabinets in a locked room on the Panel's premises, to which only the Panel's Executive Director, Deputy Director, and Chief Clerk have keys. A log will be kept of the identity of any person who is granted access to that room.

Electronic data will be stored on a single computer in encrypted form; such computer will be placed in the locked room described in the preceding paragraph. The computer will be password-protected and will not be connected to any other computer or network; the USB ports that would otherwise permit copying from that computer will be disabled. Logs will be kept of any document printed from the computer, and such document will be numbered to permit its identification; any such documents will be subject to the same controls as those described above for documents originally in paper form.