Paul Whynott/NY/FRS

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To
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cc
Danielle Vicente/NY/FRS@FRS, Paul Whynott/NY/FRS@NY
bcc

Subject
Reg Capital Arb

Alex and Dani,

While not a primary driver of the economics behind the negotiations, it is good to understand how much capital relief the institutions from the CDS transactions are benefitting from Regulatory Arbitrage trades with AIG. I believe there are three of the CDS counterparties represented below.

Caylon $24.3 billion notional; $1.6 billion in capital relief
Soc Gen $15.6 billion notional; $1.0 billion in capital relief
Rabo Bank $ 2.9 billion notional; $0.2 billion in capital relief

AIG Credit Exposure for Regulatory Capital Portfolio, in USD billions, as of 10/1/08

Counterparty	Reg Cap CLO	Reg Cap RMBS	Reg Cap Other	Grand Total	Capital Relief (6.4%)
ABN AMRO BANK N.V.	36.8	19.5		56.2	3.6
DANSKE BANK A/S		32.2		32.2	2.1
KREDITANSTALT FUR WIEDERAUFBAU	11.6	18.4		30.0	1.9
CREDIT LOGEMENT		29.3		29.3	1.9
CALYON	24.3			24.3	1.6
BNP PARIBAS	23.3			23.3	1.5
SOCIETE GENERALE S.A.	15.6			15.6	1.0
STADSHYPOTEK AB		7.6		7.6	0.5
HEXAHOME		4.4		4.4	0.3
BAYERISCHE HYPO-UND VEREINSBANK AG	3.0			3.0	0.2
RABOBANK NEDERLAND	2.9			2.9	0.2
BANK AUSTRIA CREDITANSTALT AG	2.7			2.7	0.2
NATIXIS	2.0			2.0	0.1
DEVELOPMENT BANK OF JAPAN	2.0			2.0	0.1
LLOYDS TSB BANK PLC.	1.9			1.9	0.1
WESTPAC BANKING CORPORATION	1.8			1.8	0.1
HYPO REAL ESTATE BANK AG		1.7		1.7	0.1
BANCO SANTANDER S.A.			1.6	1.6	0.1
NORTHERN ROCK PLC		1.6		1.6	0.1
FORTIS BANK SA/NV	1.5			1.5	0.1
MORGAN STANLEY CREDIT PRODUCTS LIMITED		1.1		1.1	0.1
UNICREDIT BANCA D'IMPRESA SPA	1.0			1.0	0.1
SWEDBANK MORTGAGE AB		0.7		0.7	0.0
SAMPO BANK PLC	0.7			0.7	0.0
STANDARD CHARTERED BANK	0.7			0.7	0.0
Grand Total	131.8	116.6	1.6	249.9	16.0

*Capital Relief is 8% capital charge on 20% risk weighted assets, which gives 1.6% total capital charge. 8% minus the 1.6% equals 6.4% capital relief.

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