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Subject AIG & Identifying other firms under stress

As a follow-up to our discussion this morning, below is a quick outline for moving forward. For those of you that were not able to attend the meeting due to scheduling conflicts, we spoke about three efforts -- the most immediate of which relate to dimensioning risks posed by AIG. The other two streams are intended to (a) identify other non-bank intermediaries of potential concern, and (b) potential weaknesses at banks (with emphasis on regional and smaller foreigns). The points for each stream are identified below. Additionally, we'll look to have a preliminary view on all three workstreams toward the end of today with analysis to continue throughout the week.

1. AIG

a. Dimensioning banks' exposures to AIG (Dianne): includes dimensioning impact from a counterparty credit risk perspective, as well as potential market sensitivities (e.g. are banks similarly positioned or how might they be impacted from a market risk perspective by further deterioration in AIG. Efforts involve counterparty credit risk and market risk team here in Bank Sup, as well as efforts underway by Tobias and Haley's folks.

b. Implications for the insurance subs (Rich Charlton / Elise Liebers): Aim is to prepare a primer ('insurance 101') for wider distribution regarding the insurance regulatory structure, as well as details on what is involved in the unwind of AIG.

2. **Identifying other non-bank intermediaries of concern (Lance Auer / Chris Calabia / Haley Boesky)**: Leveraging off of earlier work on how to dimension non-bank intermediaries, team will concentrate on understanding risk profile of GE capital, as well as develop a filter for identifying other non-bank intermediaries of concern. Once identified, monitoring will begin including the extent to which the firms we supervise are exposed to the identified if firms

3. **Identifying other banks of concern (Homer Hill/John Ricketti)**: Leveraging off our understanding of known weaknesses, the aim is to identify the risk drivers of those portfolios / positions and, in turn, determine the degree to which smaller regional / foreign banks may be impacted. The exposures discussed in this mornings meeting, include CRE, RMBs, CDOs, and lines of credit / contingent liabilities. Where possible, we'll dimension the risk drivers of LEH's and AIG's CRE and RMBs exposures and assess whether LFIs are similarly situated. Additionally, the detail will be helpful in understanding whether smaller banks are similarly situated. With respect to line of credit / contingent liabilities, the thought is to identify how large this exposure is to AIG and the implications for the identified set of institutions if those lines are drawn.