

OFFICE OF THE SPECIAL INSPECTOR GENERAL
TROUBLED ASSET RELIEF PROGRAM
1500 Pennsylvania Ave., NW, Suite 1064
Washington, D.C. 20220

April 2, 2009

MEMORANDUM FOR Neel Kashkari, Interim Assistant Secretary for Financial Stability,
 Department of the Treasury

 Stephen R. Malphrus, Chief of Staff, Board of Governors,
 Federal Reserve

FROM: Neil Barofsky, Special Inspector General Troubled Asset Relief
 Program

SUBJECT: Engagement memo – Review of Payment of Counterparty Claims
 Settled by AIG

SIGTARP has received a request from 27 members of Congress to review the counterparty payments made by AIG. The requestors raised concerns over whether the payments were made in the best interests of the taxpayers. The objectives of the review are to determine:

- To what extent did AIG pay counterparty claims at 100 percent of face value and was any attempt made to renegotiate and close out these claims with “haircuts”?
- To what extent were assessments conducted of the health and total exposure of risks to the counterparties?

We plan to start work on this engagement immediately. This engagement will be performed under assignment code (0006). We expect to perform fieldwork at the Office of Financial Stability, AIG, and Federal Reserve offices overseeing assistance to AIG. If you have any questions, please call Barry W. Holman, SIGTARP Deputy Inspector General for Audit, at (202) 622-4633.

cc:



b(6)

Elizabeth A. Coleman, Inspector General, Board of Governors of the Federal Reserve System