

Financial Crisis: Review of Federal Reserve System Financial Assistance to American International Group, Inc.



GAO-11-616 Federal Crisis: Review of Federal Reserve System Financial Assistance to American International Group, Inc. In September 2008, the Board of Governors of the Federal Reserve System (Federal Reserve Board) approved emergency lending to American International Group, Inc. (AIG)--the first in a series of actions that, together with the Department of the Treasury, authorized \$182.3 billion in federal aid to assist the company. Federal Reserve System officials said that their goal was to avert a disorderly failure of AIG, which they believed would have posed systemic risk to the financial system. But these actions were controversial, raising questions about government intervention in the private marketplace. This report discusses (1) key decisions to provide aid to AIG; (2) decisions involving the Maiden Lane III (ML III) special purpose vehicle (SPV), which was a central part of providing assistance to the company; (3) the extent to which actions were consistent with relevant law or policy; and (4) lessons learned from the AIG assistance. To address these issues, GAO focused on the initial assistance to AIG and subsequent creation of ML III. GAO examined a large volume of AIG-related documents, primarily from the Federal Reserve System--the Federal Reserve Board and the Federal Reserve Bank of New York (FRBNY)--and conducted a wide range of interviews, including with Federal Reserve System staff, FRBNY advisors, former and current AIG executives, AIG business counterparties, credit rating agencies, potential private financiers, academics, finance experts, state insurance officials, and Securities and Exchange Commission (SEC) officials. Although GAO makes no new recommendations in this report, it reiterates previous recommendations aimed at improving the Federal Reserve Systems documentation standards and

conflict-of-interest policies. While warning signs of the companys difficulties had begun to appear a year before the Federal Reserve System provided assistance, Federal Reserve System officials said they became acutely aware of AIGs deteriorating condition in September 2008. The Federal Reserve System received information through its financial markets monitoring and ultimately intervened as the possibility of bankruptcy became imminent. Efforts by AIG and the Federal Reserve System to secure private financing failed after the extent of AIGs liquidity needs became clearer. Both the Federal Reserve System and AIG considered bankruptcy issues, although no bankruptcy filing was made. Due to AIGs deteriorating condition in September 2008, the Federal Reserve System said it had little opportunity to consider alternatives before its initial assistance. As AIGs troubles persisted, the company and the Federal Reserve System considered a range of options, including guarantees, accelerated asset sales, and nationalization. According to Federal Reserve System officials, AIGs credit ratings were a critical consideration in the assistance, as downgrades would have further strained AIGs liquidity position. After the initial federal assistance, ML III became a key part of the Federal Reserve Systems continuing efforts to stabilize AIG. With ML III, FRBNY loaned funds to an SPV established to buy collateralized debt obligations (CDO) from AIG counterparties that had purchased credit default swaps from AIG to protect the value of those assets. In exchange, the counterparties agreed to terminate the credit default swaps, which were a significant source of AIGs liquidity problems. As the value of the CDO assets, or the condition of AIG itself, declined, AIG was required to provide additional collateral to its counterparties. ~

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FRB: Testimony--Kohn, American International Group--March 5, 2009 Given AIGs involvement in both financial and non-financial entities, consolidated One of the key lessons learnt from the financial crisis was therefore that it was necessary to Requesters: Review of Federal Reserve System Financial Assistance to American International Group, Inc, GAO-11616, (September 2011), p. 5. **The Fed - U.S. Government Accountability Office (GAO)** Chicago or the Board of Governors of the Federal Reserve System. All errors are those financial crisis. AIG, a global insurance and financial company with Bank of America, two other firms that received extensive support during the crisis. Review of Federal Reserve System Financial. Assistance to **FINANCIAL CRISIS - US Government Publishing Office** Synopsis. GAO-11-616 - Federal Crisis: Review of Federal Reserve System Financial Assistance to American International Group, Inc. In September 2008, the **Testimony--Alvarez, Government assistance to AIG - Federal Reserve** Some media accounts written while the financial crisis was still underway, U.S. Government Accountability Office, Review of the Federal Reserve System Financial Assistance to American International Group, Inc. (September 2011), 5,17. **The Fed - Other reports and disclosures** American International Group, Inc., also known as AIG, is an American multinational insurance AIG was a central player in the financial crisis of 2008. It was bailed out by the federal government for \$180 billion, and the government took control. . of AIG. The United States Federal Reserve Bank stepped in, announcing the **Falling Giant: A Case Study Of AIG - Investopedia** Financial Crisis: Review of Federal Reserve System Financial Assistance to American International Group, Inc. (GAO-11-616) HTML PDF **NEW Financial Crisis By U S Government Accountability Office** Federal Reserve Bank of St. Louis Financial Crisis Timeline October 24, 2008 - PNC Financial Services Group, Inc., purchases National City announce a restructuring of the governments financial support of AIG. statement that the U.S. government stands firmly behind the banking system, and that the **Review of Financial Assistance to American International Group, Inc** In the course of its research and investigation, the Commission reviewed millions International Group (AIG), Bear Stearns, Citigroup, Countrywide Financial, Fannie Board, the Federal Reserve Bank of New York, the Department of Housing and Ur- . throughout the financial system, as mortgage-related securities were **American International Group, Inc. 2016 Annual Report - GAO-11-616 - Federal Crisis: Review of Federal Reserve System Financial Assistance to American International Group, Inc.** Federal Reserve System officials **Financial crisis: review of Federal Reserve System - Google Books** Support to American International Group AIG, a large and diversified financial institution, experienced serious financial problems in September on such securities.³⁴ AIG faced a crisis as its lenders, worried about its capacity to meet its See Board of Governors of the Federal Reserve System, Report Pursuant to Section **AIG in Hindsight - Chicago Fed** In my testimony, I will detail the support the Federal Reserve, working disruptions and pressures engendered by an extraordinary financial crisis. AIG is a widely diversified financial services company that, as of . In addition, the New York Reserve Bank established a team to review the financial **The Fed - American International Group (AIG), Maiden Lane II and III** As AIG s troubles persisted, the company and the Federal Reserve System . Largely due to the federal governments assistance, AIGs financial health has **Open Government Plan - Board of Governors of the Federal Reserve** Financial crisis: review of Federal Reserve System financial assistance to American International Group, Inc. : report to congressional requesters. Front Cover. **GAO-11-616 Financial Crisis: Review of Federal Reserve System** Office, GAO-11-616, Financial Crisis: Review of Federal Reserve System Financial Assistance to American International Group,. Inc. (2011) . On January 14, 2011, the New York Fed's assistance to AIG was terminated and its by the company, the New York Fed, the Treasury Department and the AIG There was a growing loss of confidence in U.S. and global financial markets, At the time of AIGs liquidity crisis, no effective bankruptcy framework existed for a **U.S. GAO - Financial Crisis: Review of Federal Reserve System** GAO-11-616 Federal Crisis: Review of Federal Reserve System Financial Assistance to American International Group, Inc. In September 2008, the Board of **American International Group - Wikipedia** Fed intervention helped defuse threats to the financial system from LTCMs The Fed didnt just shovel money at Bear Stearns and AIGs problems. By some accounts, the fund used capital of \$2.3 billion to support .. by Harvey Rosenblum, Federal Reserve Bank of Atlanta Economic Review, First and **Financial Crisis : Review of Federal Reserve System Financial** What was once the unthinkable occurred on September 16, 2008. On that date, the A division of the company, entitled AIG Financial Products (AIGFP), (Read about one company that didnt survive financial crisis in The Rise And the economy in tough times in The Treasury And The Federal Reserve.). **The Fed - Support for specific institutions - Federal Reserve** FINANCIAL CRISIS. Review of Federal Reserve System Financial. Assistance to American International Group, Inc.

Why GAO Did This Study. **Download Publication PDF - Mercatus Center** Support to American International Group
AIG, a large and diversified financial institution, experienced serious financial problems in September. AIG faced a
crisis as its lenders, worried about its capacity to meet its debts, refused to. See Board of Governors of the Federal
Reserve System, Report Pursuant to Section 129 **Former AIG CEO wins bailout lawsuit, but court awards no
damages** **The budgetary impact and subsidy costs of the Federal Reserves - Google Books Result** CA Letters
Enforcement Actions Independent Foreclosure Review. During the financial crisis, the Federal Reserve provided
support to certain and strains for the financial system as a whole and harmed the U.S. economy. lend to American
International Group, Inc., (AIG) to provide AIG with the time **MetLife, Inc. v. FSOC (D.C. Circuit). - US Chamber
Litigation Center** congressional requesters. September 2011. FINANCIAL CRISIS. Review of Federal Reserve System
Financial. Assistance to American International Group, Inc. **Actions Related to AIG - FEDERAL RESERVE BANK
of NEW YORK** transparency initiative on the financial crisis, demonstrate how transparency Division of Reserve
Bank Operations and Payment Systems. review the Federal Reserves policy actions and operations during the year
across. created during the financial crisis for American International Group, Inc. (AIG),. **GAO-11-616, Financial
Crisis: Review of Federal Reserve System** The potential failure of AIG during the financial crisis posed at a time
when the financial system was already under severe stress, likely would. A range of programs to support AIG were
authorized by the Federal Reserve under lend to AIG to provide the company with the time and flexibility to execute a
Fed Intervention: Managing Moral Hazard in Financial Crises Keywords: securities lending, American
International Group, AIG, insurance regulation, Dodd-. Frank, financial regulation, market discipline, financial crisis,
Federal Reserve, federal government committed over \$180 billion in aid to the company, which AIG Financial
Products (AIGFP).² Federal Reserve Chairman Ben **The AIG Story - Google Books Result** AIG's former chief wins
his bailout lawsuit against the government, but judge says AIG would have gone bankrupt without federal aid and
would have left faulted the Fed for taking a 79.9% stake in the company in exchange for an \$85-billion loan that helped
keep the firm afloat during the financial crisis. **The Rule of Law in Monetary Affairs - Google Books Result** The
identity of the entities provided financial assistance under the Federal Reserve System Monthly Reports on Credit and
Liquidity Programs and the Balance Sheet the public concerning policy actions taken to address the financial crisis.
Financial Support to American International Group, Inc., on

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