

FEDERAL RESERVE BANK *of* NEW YORK *Serving the Second District and the Nation*



Maiden Lane Transactions

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MILESTONES

September 18, 2018: Maiden Lane LLC sold all remaining securities. Net proceeds from sales of the assets, as well as cash flow generated by ML LLC, provided a net gain of approximately \$2.5 billion for the benefit of the U.S. public.

November 12, 2014: The legal existence of Maiden Lane II LLC and Maiden Lane III LLC was formally terminated. The small amount of cash held in reserve by each LLC was paid to the New York Fed and AIG, after payment of final trailing expenses, in accordance with their respective interests on November 20, 2014.

September 15, 2014: Remaining proceeds in Maiden Lane II LLC and Maiden Lane III LLC (apart from a small amount of cash held in reserve for trailing expenses) were paid to the New York Fed and AIG in accordance with their respective interest in each vehicle.

November 15, 2012: Net proceeds from additional sales of securities in Maiden Lane LLC enabled the full repayment of the subordinate loan made by JPMorgan Chase & Co. plus accrued interest. The New York Fed will receive 100 percent of future cash flows generated from the remaining ML LLC assets, in accordance with the ML LLC waterfall.

August 23, 2012: Maiden Lane III LLC sold all remaining securities. Subsequent to the repayment of ML III LLC's liabilities to the New York Fed and AIG, net proceeds from sales of the securities, as well as cash flow the securities generated while held by ML III LLC, provided a net gain of approximately \$6.6 billion for the benefit of the U.S. public.

July 16, 2012: Net proceeds from additional sales of securities in Maiden Lane III LLC enabled the full repayment of AIG's equity contribution plus accrued interest and provided residual profits to the New York Fed. The New York Fed will continue to receive 67 percent of residual profits generated by future sales of ML III LLC assets.

June 14, 2012: Maiden Lane LLC and Maiden Lane III LLC repaid the loans made by the New York Fed, with interest. The successful repayment of the loans marks the retirement of the last remaining debts owed to the New York Fed from the crisis-era interventions with Bear Stearns and AIG.

February 28, 2012: Maiden Lane II LLC sold all remaining securities*. Net proceeds from sales of all the securities, as well as cash flow the securities generated while held by ML II LLC, enabled the full repayment of ML II LLC's liabilities to the New York Fed and AIG while also providing a net gain of approximately \$2.8 billion for the benefit of the U.S. public.

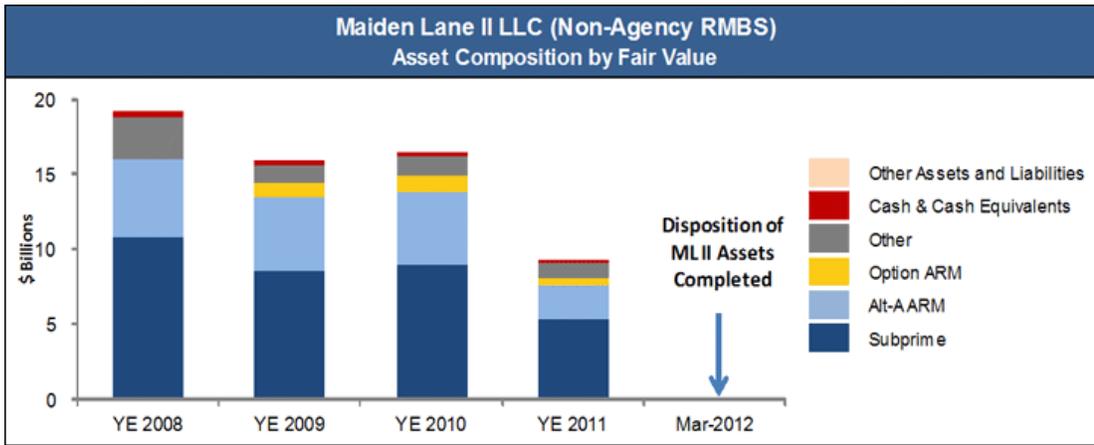
HISTORICAL SUPPLEMENTAL SURVEY REPORTS

Overview	Maiden Lane	Maiden Lane II	Maiden Lane III	News
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1. [Transaction Overview](#)
2. [Significant Transaction Terms](#)
3. [Management of Portfolio Assets](#)
4. [Vendors](#)
5. [Periodic Releases](#)
6. [Asset Sales](#)

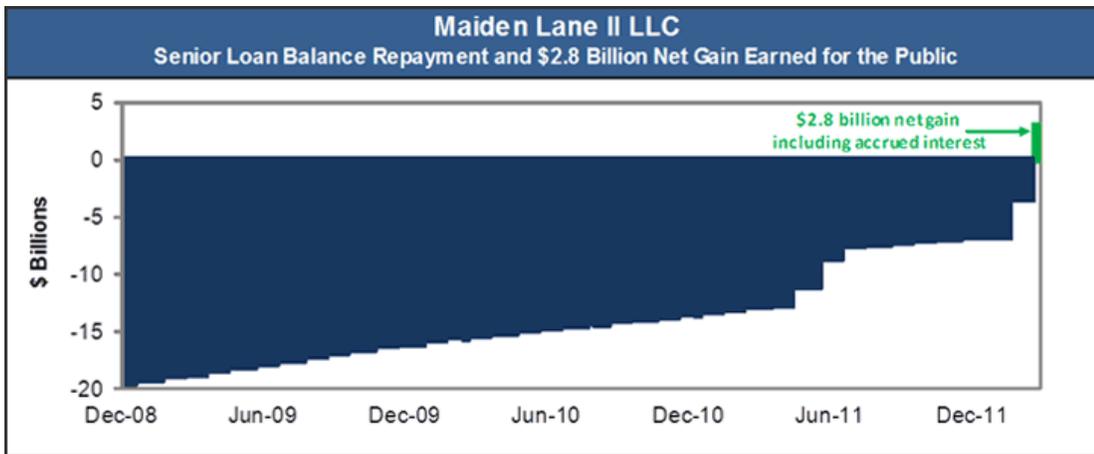
CHARTS





Source: FRBNY – Quarterly Summary of Assets and Outstanding Loan Balance, Federal Reserve Board H.4.1

Note: Unaudited. A cash balance remains in ML II LLC, reflecting residual receipts and reserves held to meet trailing expenses and other obligations.



Source: Federal Reserve Board H.4.1, Federal Reserve Bank of New York

TRANSACTION OVERVIEW

OVERVIEW

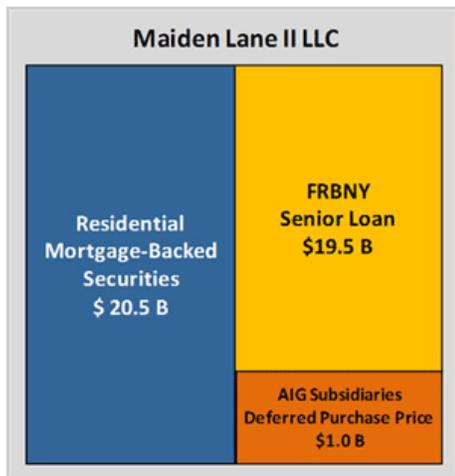
In November 2008, the Federal Reserve Board and the U.S. Treasury announced the restructuring of the government's financial support to American International Group Inc. (AIG) in order to provide the company with more time and greater flexibility to sell assets and repay the government. The Federal Reserve Bank of New York (New York Fed) created Maiden Lane II LLC (ML II LLC) to alleviate capital and liquidity pressures on AIG associated with the securities lending portfolio of several regulated U.S. insurance subsidiaries of AIG.

- [Senate Testimony: Vice Chairman Kohn OFFSITE](#)
March 5, 2009
- [House Testimony: Chairman Bernanke OFFSITE](#)
March 24, 2009

For additional information on actions taken in support of AIG, please refer to [Actions Related to AIG](#).

ML II LLC borrowed \$19.5 billion⁹ from the New York Fed, which, together with \$0.3 billion in principal and interest adjustments between October 31 and December 12, 2008, was used to purchase a portfolio of residential mortgage-backed securities (RMBS) from the securities lending portfolio of several regulated U.S. insurance subsidiaries of AIG. These same insurance subsidiaries agreed to defer the payment of an additional \$1 billion of the purchase price (fixed deferred purchase price) until after the New York Fed loan is repaid in full.





The ML II LLC transaction closed on December 12, 2008 based on BlackRock Financial Management Inc.'s fair value of AIG's RMBS assets as of October 31, 2008⁹.

As of October 31, 2008, the ML II LLC portfolio of assets had an estimated fair value of \$20.5 billion and a par value of approximately \$39.3 billion.

• [Maiden Lane II LLC Terms and Conditions Press Release »](#)

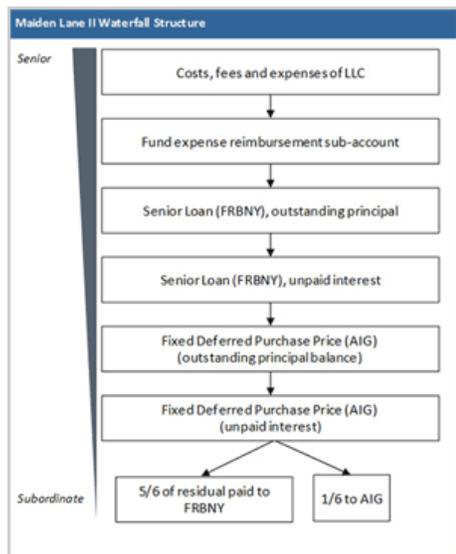
SELECTION CRITERIA FOR PORTFOLIO ASSETS

Under the terms of the agreement with the New York Fed, the assets purchased by ML II LLC had to be U.S. dollar-denominated, RMBS securities held by AIG's insurance subsidiaries as part of AIG's securities lending program. The review and selection of these assets was conducted by the New York Fed in conjunction with its advisor, BlackRock Financial Management Inc.

[↑Back to Top](#)

SIGNIFICANT TRANSACTION TERMS

- The New York Fed loan to ML II LLC is senior to the right of the AIG insurance subsidiaries to receive the fixed deferred purchase price. The New York Fed loan and the fixed deferred purchase price are secured by ML II LLC's portfolio of assets. The New York Fed loan has a stated term of 6 years, and may be extended by the New York Fed at its discretion.
- The interest rate on the senior loan is one-month LIBOR plus 100 basis points.
- After the New York Fed loan has been repaid in full with interest, to the extent that there are sufficient remaining cash proceeds, the AIG insurance subsidiaries will be entitled to receive the fixed deferred purchase price, plus accrued interest at a rate of one-month LIBOR plus 300 basis points.
- After repayment in full of the New York Fed loan and the fixed deferred purchase price (each including accrued interest), any remaining proceeds will be split 5/6th to the New York Fed and 1/6th to the AIG insurance subsidiaries.
- The distribution of the proceeds realized on the ML II LLC portfolio (including interest proceeds and proceeds from the maturity or liquidation of the asset portfolio) occurs on a monthly basis, unless otherwise directed by the New York Fed, and is made in the following order (each category must be fully paid before proceeding to the next lower category):



[↑Back to Top](#)



The New York Fed retained BlackRock Financial Management Inc. (investment manager) to perform the day-to-day management of the assets held in the ML II LLC portfolio.

The investment manager's objective for ML II LLC's portfolio was to repay the New York Fed's senior loan (including principal and interest) while striving to maximize sales proceeds and refraining from disturbing general financial market conditions. The sale of ML II LLC's securities in February 2012 enabled the full repayment of the LLC's liabilities to the New York Fed and AIG.

KEY INVESTMENT GUIDELINES

The investment manager managed portfolio proceeds in accordance with the objective described above, subject to the maintenance of sufficient liquidity to meet expected payments and obligations. Cash proceeds from the asset portfolio could only be invested in U.S. Treasury or agency securities with a remaining maturity of one year or less, U.S. 2a-7 government money market funds, reverse repurchase agreements collateralized by U.S. Treasury and agency securities and dollar-denominated deposits.

[↑Back to Top](#)

VENDORS

- [BlackRock PDF](#)
- [Bank of New York Mellon PDF](#)
- [Ernst & Young PDF](#)
- Deloitte & Touche¹⁰

[↑Back to Top](#)

PERIODIC RELEASES

- [Weekly H.4.1 Federal Reserve Statistical Release OFFSITE](#)
ML II LLC's assets and liabilities are consolidated onto the books of the New York Fed. As a result, ML II LLC's quarterly fair value (plus normal accounting entries largely related to interest accruals, senior loan repayments and expenses) and outstanding loan balance are published in the weekly H.4.1 release of the Federal Reserve's balance sheet.
- [Report on Credit and Liquidity Programs OFFSITE](#)
The Federal Reserve prepares this report as part of its efforts to enhance transparency about the range of programs and tools that were implemented in response to the financial crisis.
- [Quarterly Summary of Assets and Outstanding Loan Balance PDF](#)
[SHOW](#)
- [Holdings Report PDF EXCEL](#)
[SHOW](#)
- [Year-end Financials PDF](#)
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[↑Back to Top](#)

ASSET SALES

On March 30, 2011, the New York Fed announced that through its investment manager, BlackRock Solutions, it would begin a process to sell the assets in the ML II LLC portfolio both individually and in segments over time as market conditions warrant through a competitive sales process. On February 28, 2012, Maiden Lane II LLC completed the sale of its remaining securities*.

[New York Fed to Sell Maiden Lane II Assets in Competitive Process over Time »](#)

[New York Fed Sells \\$7.014 Billion in Face Value of ML II LLC Assets »](#)

[New York Fed Sells \\$6.2 Billion in Face Amount of Maiden Lane II LLC Assets »](#)

[New York Fed Sells Remainder of Maiden Lane II LLC Securities; Approximately \\$2.8 Billion Net Gain Generated for U.S. Public from the Portfolio* »](#)

The New York Fed is providing the following information on the progress of the sales on a regular basis, taking care to preserve the effectiveness of the asset sales process:

- [Bid List Offering](#)
Timing and general information about bid lists circulated and sold.
- [Monthly Review EXCEL](#)

[SHOW](#)

Monthly report which includes a list of the assets sold during the month by current face amount.

- [Quarterly Review EXCEL](#)

[SHOW](#)

Quarterly report which includes a list of the total amount sold during the period by counterparty name. This report is released within 15 days of quarter end.

[SHOW](#)

Asset level detail of transactions completed in Maiden Lane II.

The New York Fed welcomes and encourages small, veteran-, minority- and women- owned businesses to bid either individually or through meaningful partnership with others, on assets in the ML II LLC portfolio. As the New York Fed is interested in better understanding and monitoring the diversity of those entities purchasing its assets, prospective and/or successful bidders, either bidding alone or in partnership with another bidder, may be asked to disclose information about their small, veteran-, minority- and women- owned business status as well as that of their business partners. Please note, however, that the fact that a bidder is a small, veteran-, minority- and women- owned business does not in any way impact the selection of a winning bidder.

Glossary »

8

The aggregate amount of interest and principal proceeds from RMBS received after the announcement date, but prior to the settlement date, net of financing costs, amounted to approximately \$0.3 billion and therefore reduced the amount of funding required at settlement by \$0.3 billion, from \$20.8 billion to \$20.5 billion.

9

Therefore, the New York Fed incurred the risk of the ML II LLC asset portfolio from the AIG insurance subsidiaries as of October 31, 2008.

10

The parties to these contracts are Deloitte & Touche and the Board of Governors of the Federal Reserve System. Inquiries regarding these contracts should be directed to the Board of Governors of the Federal Reserve System.

11

Delays are necessary to allow operational reconciliations to be performed on the portfolio for the reporting period.

** As part of the close-out procedures for Maiden Lane II LLC, on August 22, 2012, the New York Fed sold eight residual securities that had been factored to zero and consequently dropped from the portfolio holdings report published by the New York Fed. There was no active notional balance associated with these positions as the securities were fully written down prior to the last ML II sale on February 28, 2012; thus, the subsequent sale of these zero-factor securities had no material impact on the net gain reported for the ML II portfolio.*

[↑Back to Top](#)

