

From: Timothy Geithner/NY/FRS
Sent: Sep 16, 2008 09:59:56
To: Calvin Mitchell/NY/FRS@FRS
Cc:
Bcc:
Subject: Fw: Summary of AIG Bankruptcy Impact

----- Forwarded by Timothy Geithner/NY/FRS on 09/16/2008 09:56 AM -----

Alejandro LaTorre/NY/FRS
09/16/2008 03:16 AM

To Timothy Geithner/NY/FRS@FRS, William Rutledge/NY/FRS@FRS, Patricia Mosser/NY/FRS@FRS
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Subject Summary of AIG Bankruptcy Impact

Tim,

Attached is a document that summarizes some of our discussion earlier. The key takeaway is that AIG could be more systemic in nature than Lehman due to the retail dimension of its business. Insolvency should be managed in a way that insulates the retail activity from contagion arising from the wholesale part. Stating the obvious, intervention needs to insulate retail activities (inc. those in the parent, like stable value wraps) in a way that inspires confidence among the public to avoid a potential crisis of confidence. Coordination issues among state regulators could make this difficult.

The counterparty exposure figures you asked for will be sent by Supervision under a separate cover.

Regards,

Alex

1 Attachment