



August 31, 2010

Via Email & Mail

Mr. Clarence K. Lee
Commerce Street Capital, LLC.
1700 Pacific Avenue, Suite 2020
Dallas, TX 75201
cklee@cstreetcap.com

Phil Angelides
Chairman

Hon. Bill Thomas
Vice Chairman

Re: Financial Crisis Inquiry Commission Hearing on July 1, 2010

Dear Mr. Lee:

Brooksley Born
Commissioner

Byron S. Georgiou
Commissioner

Senator Bob Graham
Commissioner

Keith Hennessey
Commissioner

Douglas Holtz-Eakin
Commissioner

Heather H. Murren, CFA
Commissioner

John W. Thompson
Commissioner

Peter J. Wallison
Commissioner

Thank you for testifying on July 1, 2010 in front of the Financial Crisis Inquiry Commission and agreeing to provide additional assistance. Toward that end, please provide, and/or a person most knowledgeable within the Office of Thrift Supervision (OTS) provide, a written response to the following additional question and any additional information by September 10, 2010.¹

Please describe and comment on the September 2, 2008 OTS review of AIG, which indicated AIG's CDS portfolio represented a risk concentration to the firm. In addition, please describe what steps you and the OTS took as a consequence to this review.

The FCIC appreciates your cooperation in providing the information requested. Please do not hesitate to contact Sarah Knaus at (202) 292-1394 or sknaus@fcic.gov if you have any questions or concerns.

Sincerely,

Wendy Edelberg
Executive Director, Financial Crisis Inquiry Commission

cc: Phil Angelides, Chairman, Financial Crisis Inquiry Commission
Bill Thomas, Vice Chairman, Financial Crisis Inquiry Commission

¹ The answers you provide to the questions in this letter are a continuation of your testimony and under the same oath you took before testifying on July 1, 2010. Further, please be advised that according to section 1001 of Title 18 of the United States Code, "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

Wendy Edelberg
Executive Director

1717 Pennsylvania Avenue, NW, Suite 800 • Washington, DC 20006-4614
202.292.2799 • 202.632.1604 Fax

C.K. Lee

Via email PDF

September 9, 2010

Ms. Wendy Edelberg
Executive Director
Financial Crisis Inquiry Commission
1717 Pennsylvania Avenue, NW
Suite 800
Washington, DC 20006

Dear Ms. Edelberg,

I am in receipt of your letter of August 31, 2010 requesting additional assistance following my testimony before the Commission on July 1, 2010.

You specifically requested information on the September 2, 2008 OTS review of AIG. This review occurred approximately six months after I left the Complex and International Organizations office in Washington, DC to take up other duties for the agency in Dallas, TX. I did not have a role in the preparation or oversight of this review. Therefore, I respectfully refer you to OTS personnel in Washington for further information.

I believe you have, in fact, already been contacted by OTS in response to your inquiry.

Best regards,

C.K. Lee

cc: Mark Hingston, OTS
Chris Sterbenz, OTS



Office of Thrift Supervision

Department of the Treasury

1700 G Street, N.W., Washington, DC 20552 • (202) 906-6000

November 3, 2010

Wendy Edelberg
Executive Director
Financial Crisis Inquiry Commission
1717 Pennsylvania Ave., N.W., Suite 800
Washington, D.C. 20006-4614

RE: *Follow-on question from July 1, 2010 hearing on American International Group, Inc.*

Dear Ms. Edelberg:

This letter responds to your letter of September 10, 2010, to this office and to Mr. C. K. Lee¹ as a follow-up to Mr. Lee's testimony at the Commission's July 1, 2010, public hearing on derivatives. You asked:

Please describe and comment on the September 2, 2008 OTS review of AIG, which indicated AIG's CDS portfolio represented a risk concentration to the firm. In addition, please describe what steps you and the OTS took as a consequence to this review.

The document is a targeted review of AIG's credit default swap ("CDS") portfolio. I have consulted with the OTS examiners and other OTS officials who have knowledge of the OTS work on AIG in September 2008 and later. Those officials have informed me that:

(1) The final version of the report dated September 2, 2008 was provided to the then head of AIG's Regulatory Group on November 25, 2008. The report was the one of the regular examinations of AIG, including its CDS portfolio, that began in 2004 and involved frequent interaction with AIG officials, AIG's auditors, and other regulators. The documents describing the examinations of AIG's CDS portfolio other relevant information were provided to the Commission on April 20, 2010. The documents produced to the FCIC by OTS included a non-public 17-page memorandum dated November 20, 2008 and entitled "Supervisory History of AIGFP," which may prove helpful.

(2) On September 16, 2008, the Federal Reserve Bank of New York took control of AIG. AIG was no longer a savings and loan holding company over which OTS exercised supervisory authority as such. OTS continued to play a role as "equivalent regulator" for European Union and international purposes. For the details of OTS's work on AIG after September 16, please see "Statement of Scott M. Polakoff, Senior Deputy Director, Office of Thrift Supervision on American

¹ As you know from Mr. Lee's letter of September 9, 2010, he had been assigned to another position at OTS before the September 2, 2008 report was started.

International Group: Examining what went wrong, government intervention, and implications for future regulation, U.S. Senate Committee on Banking, Housing and Urban Affairs (March 5, 2009)" at 13-17, and other testimony by Mr. Polakoff on the subject.

Please let me know if you have any additional questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mark K. Hingston". The signature is fluid and cursive, with the first name "Mark" and last name "Hingston" clearly legible.

Mark K. Hingston
Senior Attorney

cc: Deborah Dakin
Acting Chief Counsel