



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

BEN S. BERNANKE
CHAIRMAN

January 19, 2010

Mr. Gene L. Dodaro
Acting Comptroller General
of the United States
U.S. Government Accountability Office
441 G. Street, N.W.
Washington, D.C. 20548

Dear Acting Comptroller General:

As you know, on September 16, 2008, the Federal Reserve, with the full support of the Department of the Treasury, agreed to provide a credit facility to the American International Group, Inc. It acted using authority granted by the Congress to provide credit in unusual and exigent circumstances under section 13(3) of the Federal Reserve Act (12 USC 343).

The reasons for this decision have been well articulated and are reflected in a report prepared by the GAO in September 2009. AIG, one of the world's largest insurance companies, had wide-ranging operations and extensive financial relationships, none of which was subject to supervision by the Federal Reserve. The Federal Reserve extended this credit to prevent the imminent disorderly failure of the company, an event that would likely have led to a significant intensification of an already severe financial crisis and a further worsening of global economic conditions.

The assistance was not, however, without significant conditions and protections for the taxpayers. As you know, the Federal Reserve and Treasury Department required new management of AIG; we obtained for the U.S. Government a significant stock interest in AIG that materially diluted existing shareholders of AIG; and we required AIG to immediately begin to wind down its systemically risky operations. The Federal Reserve's credit

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facility is fully secured and should be fully repaid by September 16, 2013, as the company reorganizes and unwinds its operations.

The Federal Reserve has made public a large amount of information about this transaction, its terms, and its value and about the related actions we have taken regarding AIG. The Federal Reserve also provides to the public and the Congress a monthly report about the AIG-related credit facilities and publishes a weekly update on the amount outstanding under each of these credit facilities. The Federal Reserve has also provided significant information about its lending actions regarding AIG to the Congress in testimony and correspondence, to the GAO in connection with its original report in September 2009, and to other oversight bodies such as the Special Inspector General for the Troubled Asset Relief Program.

We have provided and continue to provide this information because it is important that the Congress and the public understand that, in our actions regarding AIG, the Federal Reserve and the Treasury acted in the best interests of the United States to preserve the financial system and to protect households and businesses from potentially calamitous effects on the U.S. economy, while doing everything possible to protect the American taxpayer.

In this spirit, to afford the public the most complete possible understanding of our decisions and actions in this matter, and to provide a comprehensive response to questions that have been raised by members of Congress, the Federal Reserve would welcome a full review by GAO of all aspects of our involvement in the extension of credit to AIG. GAO is authorized to conduct this review under its current authority (31 USC 714(e)).

The Federal Reserve will make available to the GAO all records and personnel necessary to conduct this review. Thank you for your attention to this important matter.

Sincerely,

A handwritten signature in black ink, appearing to be the name of a representative of the Federal Reserve, written in a cursive style.