

Maiden Lane Transactions - FEDERAL RESERVE BANK of NEW YORK

Maiden Lane Transactions

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](#)

Chart Explanation

Note: Data reflects the outstanding FRBNY senior loan principal balance for each of the LLCs and does not include accrued interest. Chart was updated on a weekly basis through the repayment of the FRBNY senior loans.

Financial Overview of the Facilities

Maiden Lane Facilities as of 1/31/2019 (\$ millions)

	Original FRBNY Senior Loan Balance	Current Accrued Interest on Senior Loan	Cumulative Payments to FRBNY	Current Outstanding Senior Loan Balance with Accrued Interest	H.4.1 Portfolio Holdings Fair Value ¹	Net Realized Gain / Income for FRBNY ²
Maiden Lane LLC	\$28,820	-	\$(31,305)	-	-	\$2,486
Maiden Lane II LLC	\$19,494	-	\$(22,394)	-	-	\$2,900
Maiden Lane III LLC	\$24,339	-	\$(30,989)	-	-	\$6,650

Source: [Federal Reserve Board H.4.1](#), Federal Reserve Bank of New York.

¹ Portfolios remarked quarterly. Reflects 12/31/2017 prices applied to the portfolio as of the reporting date.

² Net realized gain/income figure includes interest paid on the senior loan and any current residual balance paid to the New York Fed.

Introduction

The formation of the Maiden Lane LLCs in 2008 occurred during a time of severe economic distress in the United States. The sharp deterioration in the U.S. housing market in 2007, led to a loss of confidence in the value of mortgage-related products and in the financial institutions with exposures to these products. The ensuing funding pressures on a range of financial institutions and strained liquidity conditions across the financial system led the Federal Reserve to take a series of unprecedented policy actions to contain the broader risks the financial crisis posed to the economy. Among these actions, the Federal Reserve Board authorized the Federal Reserve Bank of New York (New York Fed) under [Section 13\(3\) of the Federal Reserve Act](#) OFFSITE to form three limited liability companies to facilitate lending in support of specific institutions:

Since 2008, the New York Fed has been focused on meeting the following objectives in the

management of the Maiden Lane LLCs:

- Ensure that the loans extended to the Maiden Lane LLCs by the New York Fed are fully repaid
- Avoid actions that could disturb general financial market conditions

Purpose: ML LLC was created to facilitate the merger of JP Morgan Chase & Co. (JPMC) and Bear Stearns Companies, Inc. (Bear Stearns) by purchasing approximately \$30 billion in assets from the mortgage desk at Bear Stearns.

Terms: The New York Fed lent ML LLC approximately \$28.82 billion. The loan has a 10-year term and accrues interest at the primary credit rate. JPMC lent ML LLC approximately \$1.15 billion. The JPMC loan has a 10-year term and accrues interest at the primary credit rate plus 450 basis points.

Investment Objective: Repay the New York Fed's senior loan (including principal and interest), while refraining from disturbing general financial market conditions. Following a 2-year reinvestment period, monthly loan repayment commenced in July 2010.

On June 14, 2012, ML repaid the loan made by the New York Fed, with interest.

On November 15, 2012, net proceeds from subsequent sales of ML LLC assets enabled the full repayment of the subordinated loan extended by JPMorgan Chase & Co. and all remaining assets and future proceeds represent residual profits to the New York Fed.

Maiden Lane II LLC (ML II LLC)

Purpose: ML II LLC was created to alleviate capital and liquidity pressures on American International Group Inc. (AIG) stemming from its securities lending program by purchasing \$20.5 billion in residential mortgage-backed securities (RMBS) from several of AIG's U.S. insurance subsidiaries.

Terms: The New York Fed lent ML II LLC approximately \$19.5 billion. The loan has a 6-year term and accrues interest at 1-month LIBOR plus 100 basis points. The AIG insurance subsidiaries agreed to defer receipt of \$1 billion of the purchase price. The fixed deferred purchase price accrues at 1-month LIBOR plus 300 basis points.

Investment Objective: 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. Monthly loan repayment commenced in January 2009.

On 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 its 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.

Maiden Lane III LLC (ML III LLC)

Purpose: ML III LLC was created to alleviate capital and liquidity pressures on American International Group, Inc. (AIG) stemming from credit default swap (CDS) contracts written by AIG Financial Products Corp. (AIGFP) by purchasing \$29.3 billion in multi-sector collateralized debt obligations from certain AIGFP counterparties, enabling AIGFP to terminate the associated CDS.

Terms: The New York Fed lent ML III LLC approximately \$24.3 billion. The loan has a 6-year term and accrues at 1-month LIBOR plus 100 basis points. AIG contributed \$5 billion of equity to ML III LLC. AIG's equity interest accrues interest at 1-month LIBOR plus 300 basis points.

Investment Objective:: Repay the New York Fed's senior loan (including principal and interest), followed by AIG's equity interest (including accumulated preferred distributions representing interest) for as long as the United States Treasury maintains an economic stake in AIG on behalf of the United States taxpayer, while also striving to maximize sale proceeds and refraining from disturbing general financial market conditions.

On June 14, 2012, ML III LLC repaid the loan made by the New York Fed, with interest.

On 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.

On August 23, 2012, ML 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.

Oversight

The New York Fed established the Investment Support Office, a staff of asset specialists and senior managers, to oversee and coordinate all matters related to the ML LLC, ML II LLC and ML III LLC assets. In consultation with New York Fed senior management and the Board of Governors of the Federal Reserve System, the Investment Support Office works with the investment manager, other service providers, auditors, internal financial risk managers, accountants and lawyers to ensure that the portfolios of the LLCs are managed appropriately and to maximize the likelihood that the senior loans from the New York Fed are repaid. As part of this work, the Investment Support Office carries out a range of responsibilities, including:

- ensuring that the New York Fed loans are repaid according to the investment objectives as efficiently as possible
- ensuring, where possible, that the public's interests are represented in the management of the portfolio assets
- mitigating each portfolio's financial and operational risks
- providing guidance to the investment manager
- managing day-to-day relationships with service providers
- conducting vendor oversight reviews
- coordinating portfolio reporting

[News](#)

** 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.

.