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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. A 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 interests 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 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 to the New York Fed and AIG, net proceeds from sales of the securities, as well as cash flow from the securities generated 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 the equity contribution plus accrued interest and provided residual profits to the New York Fed. The New York Fed will 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 their successful repayment of the loans marks the retirement of the last remaining debts owed to the New York Fed from their earlier 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 from 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

Source: [H.4.1 Factors Affecting Reserve Balances](#) [OFFSITE](#)

Note: Data reflects the outstanding FRBNY senior loan principal balance for each of the LLCs and does not include 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/Loss ²
Maiden Lane LLC	\$28,820	-	\$(31,305)	-	-	\$2,015
Maiden Lane II LLC	\$19,494	-	\$(22,394)	-	-	\$2,000
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 across the financial system led the Federal Reserve to take a series of unprecedented policy actions to contain the broader risks to the financial system and the crisis posed to the economy. Among these actions, the Federal Reserve Board authorized the Federal Reserve Bank of New York (the 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

MAIDEN LANE LLC (ML LLC)

Purpose: ML LLC was created to facilitate the merger of JP Morgan Chase & Co. (JPMC) and Bear Stearns Companies, Inc. (BSC) 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 prime rate.

rate. JPMC lent ML LLC approximately \$1.15 billion. The JPMC loan has a 10-year term and accrues interest at the primary credit 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 debt 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. 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 and cash flow from the securities generated while held by ML II LLC, while 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 from the securities generated while held by ML II LLC, enabled the full repayment of its liabilities to the New York Fed and 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 its 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 accumulated preferred distributions representing interest) for as long as the United States Treasury maintains an economic stake in the securities generated while held by ML III LLC 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 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 from 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 matters related to the ML LLC, ML II LLC and ML III LLC assets. In consultation with New York Fed senior management and the Federal Reserve Bank of New York, the Investment Support Office works with the investment manager, other service providers, external auditors, internal financial risk managers, accountants and lawyers to ensure that the portfolios of the LLCs are managed appropriately to maximize the likelihood that the senior loans from the New York Fed are repaid. As part of this work, the Investment Support Office has 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 been factored to zero and consequently dropped from the portfolio holdings report published by the New York Fed. There was no notional balance associated with these positions as the securities were fully written down prior to the last ML II sale on February 2012; thus, the subsequent sale of these zero-factor securities had no material impact on the net gain reported for the ML II portfolio.

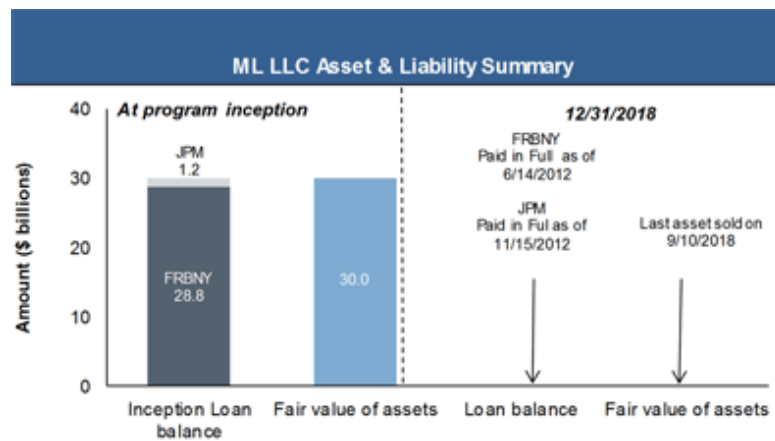
1. Transaction Overview
2. Significant Transaction Terms
3. Management of Portfolio Assets
4. Vendors
5. Periodic Releases
6. Asset Sales

CHARTS



Source: FRBNY-Summary of Assets

Notes: Other Investments primarily comprised short-term investments consisting of U.S. Treasury securities. Other Assets and includes interest and principal receivable, amounts receivable for securities sold, amounts payable for securities purchased, collateral to the LLC by swap counterparties and other liabilities/accrued expenses. Change in fair value from the prior year reflects a combination of asset repayment of principal, change in the price, realized gains and losses as a result of sales and the disbursement of cash in connection with the Maiden Lane LLC waterfall.



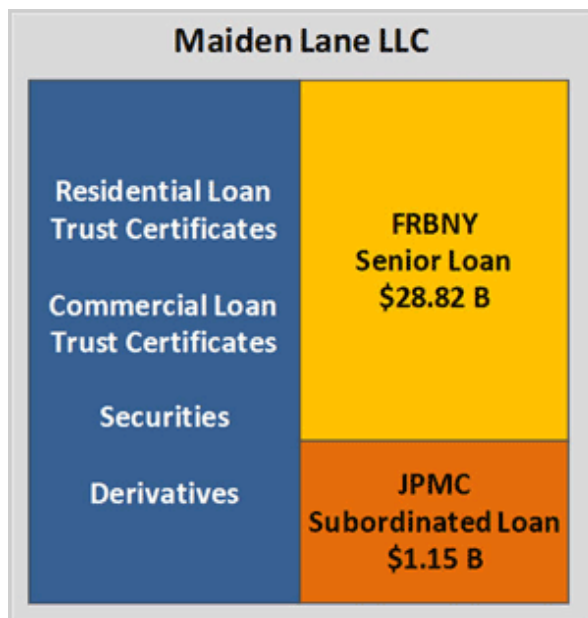
Source: FRBNY - Summary of Assets and Outstanding Loan Balance

TRANSACTION OVERVIEW

OVERVIEW

In March 2008, Maiden Lane LLC (ML LLC) was formed to facilitate JPMorgan Chase & Co.'s (JPMC) merger with Bear Stearns & Co. (Bear Stearns) and prevent the contagion affects of Bear Stearns's disorderly collapse to the broader U.S. economy. ML LLC received \$28.82 billion from the Federal Reserve Bank of New York (New York Fed) in the form of a senior loan, which, together with funding of approximately \$1.15 billion in the form of a subordinate loan, was used to purchase a portfolio of mortgage-related securities, residential mortgage whole loans and associated hedges (derivatives) from Bear Stearns.

- [Testimony: Chairman Bernanke OFFSITE](#)
April 3, 2008
- [Testimony: New York Fed President Geithner »](#)
April 3, 2008



Note: Derivatives includes swap contracts, futures, and options on futures

The ML LLC transaction closed on June 26, 2008 based on Bear Stearns's fair value of its assets as of March 14, 2008¹. The portfolio of assets and hedges had a fair value on March 14, 2008 of approximately \$30 billion.

The JPMorgan Chase subordinated loan will be the first to absorb losses, if any, on the liquidation of the portfolio assets.

- [Maiden Lane LLC Terms and Conditions Press Release »](#)
- [Maiden Lane LLC Term Sheet—Annex III »](#)

SELECTION CRITERIA FOR PORTFOLIO ASSETS

All the assets purchased originated from the Mortgage Desk of Bear Stearns. Under the terms of the agreement with the New York Fed, the assets purchased by ML LLC from Bear Stearns had to meet certain eligibility requirements. The due diligence review of the assets for adherence to the eligibility criteria was conducted by the New York Fed's advisors, which included its investment manager, BlackRock Management Inc. and Ernst & Young. Regardless of the final closing date of the asset purchase, in order to be eligible for purchase, the Bear Stearns assets needed to meet the following eligibility criteria as of March 14, 2008.

CASH ASSETS (SECURITIES AND MORTGAGE LOANS)

Securities Criteria: The securities purchased by ML LLC had to be U.S. domiciled and issued and U.S. dollar-denominated. The securities had to be rated investment grade, which was defined as rated BBB- or higher.

Mortgage Whole Loan Criteria: All commercial and residential mortgage whole loans (i.e. non-securitized) had to be performing, which was defined as current or delinquent by no more than 30 days.

HEDGES (DERIVATIVES)

ML LLC purchased a pro-rata share of the macro, non-credit and credit hedges associated with the Mortgage Desk of Bear Stearns. The non-credit hedges were largely in the form of interest rate swaps, futures, options on futures, U.S. Treasuries and agency mortgage-backed securities. Credit hedges associated with the Bear Stearns Mortgage Desk's outstanding positions on March 14, 2008, in the form of single-name credit default swaps (CDS) and to a lesser extent CMBX positions, were also purchased on a pro-rata basis. The CDS contracts purchased by ML LLC referenced investment grade and non-investment grade underlying securities. On an aggregate net basis, the single-name CDS contracts purchased by ML LLC resulted in ML LLC being the protection buyer on the CDS contracts (i.e. holding a net short credit position).

COMPOSITION OF ASSETS AT INCEPTION (MARCH 14, 2008)

Asset	Fair Value* (\$ billion)
Agency MBS	\$10.1
Commercial real estate whole loans	\$8.2
Non-agency RMBS	\$5.1
Derivatives	\$3.7
Residential whole loans	\$1.6
CMBS, non-residential ABS, CDOs, corporates and municipals	\$1.3
Total	\$30.0

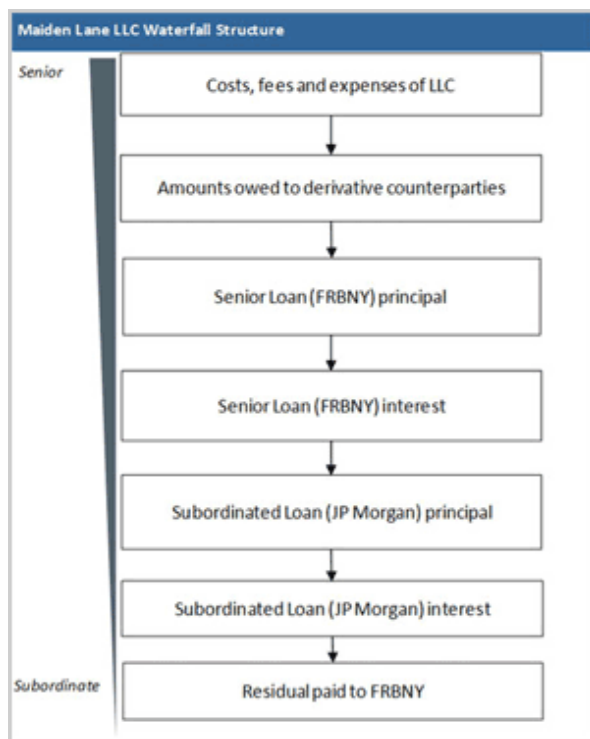
*Bear Stearns fair value marks as of 3/14/08.

SIGNIFICANT TRANSACTION TERMS

- The New York Fed loan to ML LLC is senior to the JPMC loan. Both loans are secured by ML LLC's portfolio of assets and issued by ML LLC.

stated term of 10 years. The term of both loans may be extended at the New York Fed's discretion; however, if the New York Fed extends the JPMC loan, it must also extend the FRBNY loan for the same amount of time.

- The interest on the New York Fed senior loan accrues at the **primary credit rate**.
- The interest on the JPMC subordinated loan accrues at the **primary credit rate** plus 450 basis points.
- The distribution of proceeds realized on the ML 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 of priority (each category must be fully paid before proceeding to the next lower category):



- Exception: There was a 2-year accumulation period from June 26, 2008 (closing date) until June 26, 2010, during which any proceeds realized in the ML LLC portfolio, after the payment of certain fees and expenses and any payments made pursuant to the derivative contracts, was deposited into a reserve account and reinvested into eligible investments². At the sole discretion of the New York Fed, repayment of the senior loan could have commenced during the 2-year accumulation period, but only if the ML LLC first paid its outstanding principal amount of the subordinate loan plus any accrued and unpaid interest.
- Since the end of the accumulation period on June 26, 2010, distribution of the proceeds realized on the portfolio occurs on a monthly basis, unless otherwise directed by the Federal Reserve.

MANAGEMENT OF PORTFOLIO ASSETS

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

The investment manager's objective for ML LLC's portfolio is to repay the New York Fed's senior loan (including principal and interest) while refraining from investment actions that would disturb general financial market conditions. The sale of assets from ML LLC through the investment manager enabled the full repayment of its liabilities to the New York Fed and JPMorgan Chase & Co. The New York Fed is entitled to receive the net profits earned by ML LLC.

KEY INVESTMENT GUIDELINES

1. The investment manager must manage portfolio proceeds in accordance with the objective described above, subject to the maintenance of sufficient liquidity to meet expected payments and obligations. Following the 2-year accumulation period, funds invested in short-term investments are limited to: Treasury securities and agency debt obligations with remaining maturity of a year or less; U.S. 2a-7 Treasury/Agency money market funds; and reverse repurchase agreements collateralized by U.S. Treasury and agency securities.
2. For purposes of managing interest rate risk the investment manager may enter into or purchase:

- Interest rate swaps
- Interest rate caps and floors
- Swaptions
- Treasuries
- Agency TBAs
- Eurodollar, Federal Funds and Treasury futures
- Options on Treasury futures or Eurodollar futures

3. Transactions that create new exposures to credit derivatives, equities, commodities, foreign currency-denominated assets or structured assets are expressly prohibited. For the avoidance of doubt, the termination of a credit derivative that results in a net non-zero exposure to a reference obligation is not considered a transaction that creates a new exposure.

4. For purposes of meeting the investment objective discussed above or to meet contractual obligations to derivative counterparties, the investment manager may take the following actions³:

- Purchase any underlying assets sold in a collateralized debt obligation (CDO) liquidation where the CDO in the ML LLC portfolio experienced an event of default
- Purchase or accept delivery of any reference obligation underlying a credit default swap (CDS) in the ML LLC portfolio where it experienced a credit event.

5. The New York Fed, at its sole discretion, may add permissible categories for investment.

VENDORS

- [BlackRock PDF](#)
- [State Street PDF](#)
- [Ernst & Young PDF](#)
- Deloitte & Touche⁴
- KPMG⁴

PERIODIC RELEASES

- [Weekly H.4.1 Federal Reserve Statistical Release OFFSITE](#)

ML LLC's assets and liabilities are consolidated on the books of the New York Fed. As a result, the weekly H.4.1 statistical release of the Federal Reserve's balance sheet includes ML LLC's quarterly fair value (plus normal accounting entries largely related to interest on senior loan repayments and expenses) and outstanding loan balance.

- [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 implemented in response to the financial crisis.

- [Summary of Assets⁵ PDF](#)

[SHOW](#)

- [Holdings Report⁵ PDF EXCEL](#)

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- [Year-end Financials⁶ PDF](#)

[SHOW](#)

ASSET SALES

As a normal course of business, ML LLC sells assets from its portfolio in order to meet its mandated investment objective. Asset sales have been conducted since the LLC's inception and in a manner which refrains from disrupting general financial market conditions. The information provided below is intended to enhance the transparency around ML LLC portfolio asset sales. 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.

- [Asset Sales Review⁵ EXCEL](#)

[SHOW](#)

- **Proceeds by Counterparty Review^{5, 7}** [EXCEL](#)

[SHOW](#)

- **Transaction Data** [EXCEL](#)

[SHOW](#)

Asset level detail of transactions completed in Maiden Lane.

The New York Fed welcomes and encourages small, veteran-, minority- and women- owned businesses to bid either individually or in a meaningful partnership with others, on assets in the ML 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. Inquiries related to ML LLC asset sales can be made at MLinquiries@ny.frb.org

Glossary »

¹Therefore, the New York Fed incurred the risk of the ML LLC asset portfolio from Bear Stearns as of March 14, 2008.

²Eligible investments included Treasury securities, Agency securities (mortgage-backed securities and debentures).

³These actions may require the purchase of reference bonds that are rated below investment grade (i.e. BBB- or below)

⁴The parties to these contracts are KPMG or Deloitte and 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.

⁵Change in fair value from the prior year reflects a combination of asset repayment of principal, change in the price, realized gains and losses as a result of sales and the disbursement of cash in accordance with the Maiden Lane LLC waterfall.

⁶For the year ended December 31, 2016 and going forward, please refer to the Federal Reserve Bank of New York financial statements for information about the residual assets and results of operations of Maiden Lane LLC.

⁷Sales related to commercial whole loans and real estate owned are excluded from this report due to confidentiality provisions in the contracts for these sales transactions.

* 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 notional balance associated with these positions as the securities were fully written down prior to the last ML II sale on February 2, 2012; thus, the subsequent sale of these zero-factor securities had no material impact on the net gain reported for the ML II portfolio.

1. Transaction Overview

2. Significant Transaction Terms

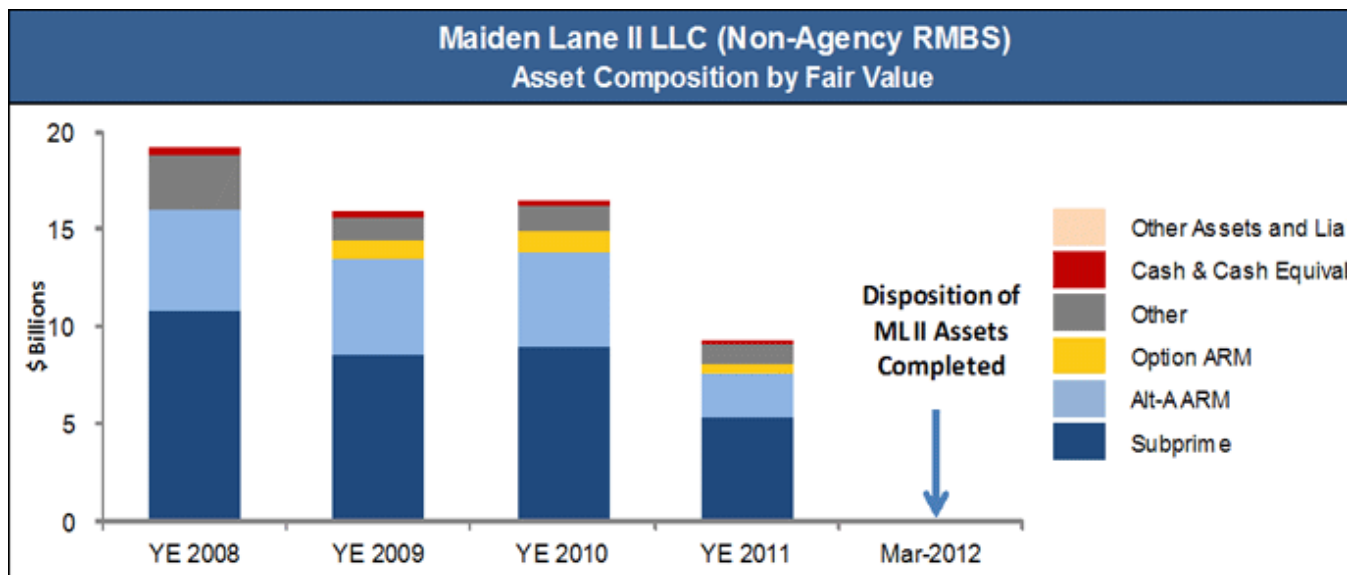
3. Management of Portfolio Assets

4. Vendors

5. Periodic Releases

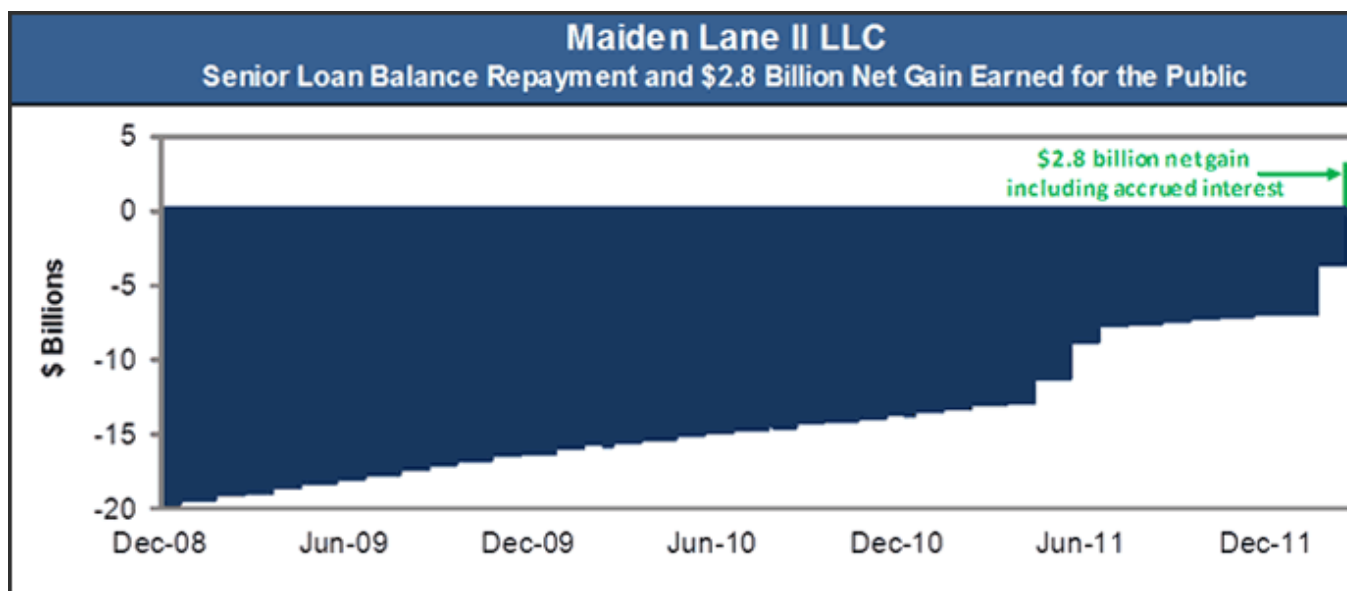
6. Asset Sales

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 obligations.



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

TRANSACTION OVERVIEW

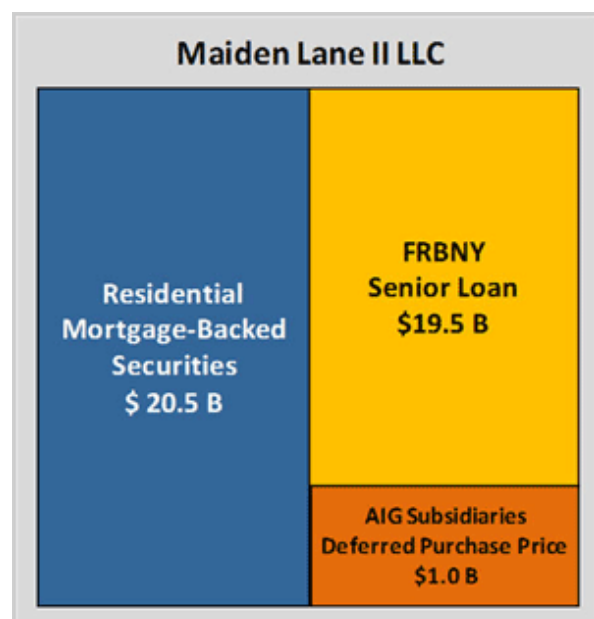
OVERVIEW

In November 2008, the Federal Reserve Board and the U.S. Treasury announced the restructuring of the government's financial support for American International Group Inc. (AIG) in order to provide the company with more time and greater flexibility to sell assets and restructure its operations. The Federal Reserve Bank of New York (New York Fed) created Maiden Lane II LLC (ML II LLC) to alleviate capital 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 billion⁸ from the New York Fed, which, together with \$0.3 billion in principal and interest adjustments by October 31 and December 12, 2008, was used to purchase a portfolio of residential mortgage-backed securities (RMBS) from the lending portfolio of several regulated U.S. insurance subsidiaries of AIG. These same insurance subsidiaries agreed to defer the 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 portfolio 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 \$20.5 billion.

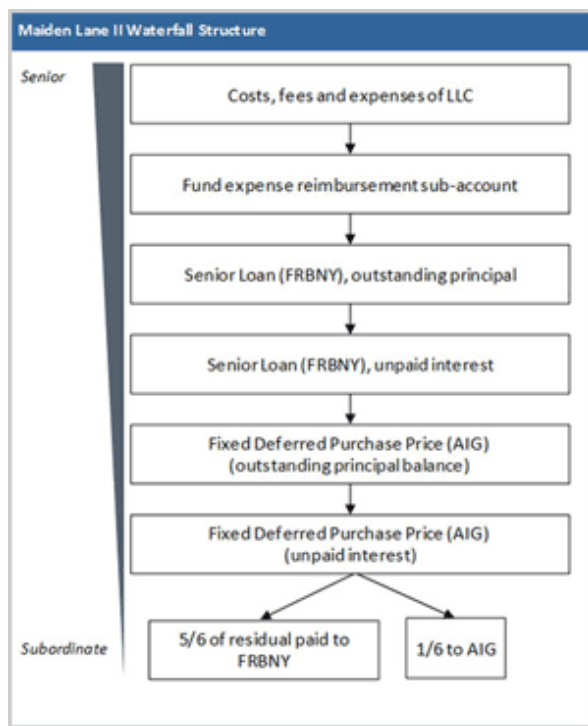
- [Maiden Lane II LLC Terms and Conditions Press Release »](#)

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, securities held by AIG's insurance subsidiaries as part of AIG's securities lending program. The review and selection of these assets were conducted by the New York Fed in conjunction with its advisor, BlackRock Financial Management Inc.

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 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 of the asset portfolio) occurs on a monthly basis, unless otherwise directed by the New York Fed, and is made in the following category must be fully paid before proceeding to the next lower category):



MANAGEMENT OF PORTFOLIO ASSETS

The New York Fed retained BlackRock Financial Management Inc. (investment manager) to perform the day-to-day management 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 while striving to maximize sales proceeds and refraining from disturbing general financial market conditions. The sale of ML II LLC 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 maintainar sufficient liquidity to meet expected payments and obligations. Cash proceeds from the asset portfolio could only be invested in U or agency securities with a remaining maturity of one year or less, U.S. 2a-7 government money market funds, reverse repurchas collateralized by U.S. Treasury and agency securities and dollar-denominated deposits.

VENDORS

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

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 v

normal accounting entries largely related to interest accruals, senior loan repayments and expenses) and outstanding loan balance 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 implemented in response to the financial crisis.

- [Quarterly Summary of Assets and Outstanding Loan Balance](#) [PDF](#)

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- [Holdings Report](#) [PDF](#) [EXCEL](#)

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- [Year-end Financials](#) [PDF](#)

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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 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. 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 at the end of quarter end.

A breakdown showing the proportion of the loan repayment attributed to asset sales proceeds is included in the Quarterly Summary of Assets and Outstanding Loan Balance under Periodic Releases as of quarter end with a 45-day delay¹¹.

- [Transaction Data](#) [EXCEL](#)

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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 in a 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 »](#)

⁸The aggregate amount of interest and principal proceeds from RMBS received after the announcement date, but prior to the sale date, net of financing costs, amounted to approximately \$0.3 billion and therefore reduced the amount of funding required at sale to approximately \$0.3 billion, from \$20.8 billion to \$20.5 billion.

⁹Therefore, the New York Fed incurred the risk of the ML II LLC asset portfolio from the AIG insurance subsidiaries as of October 1, 2008.

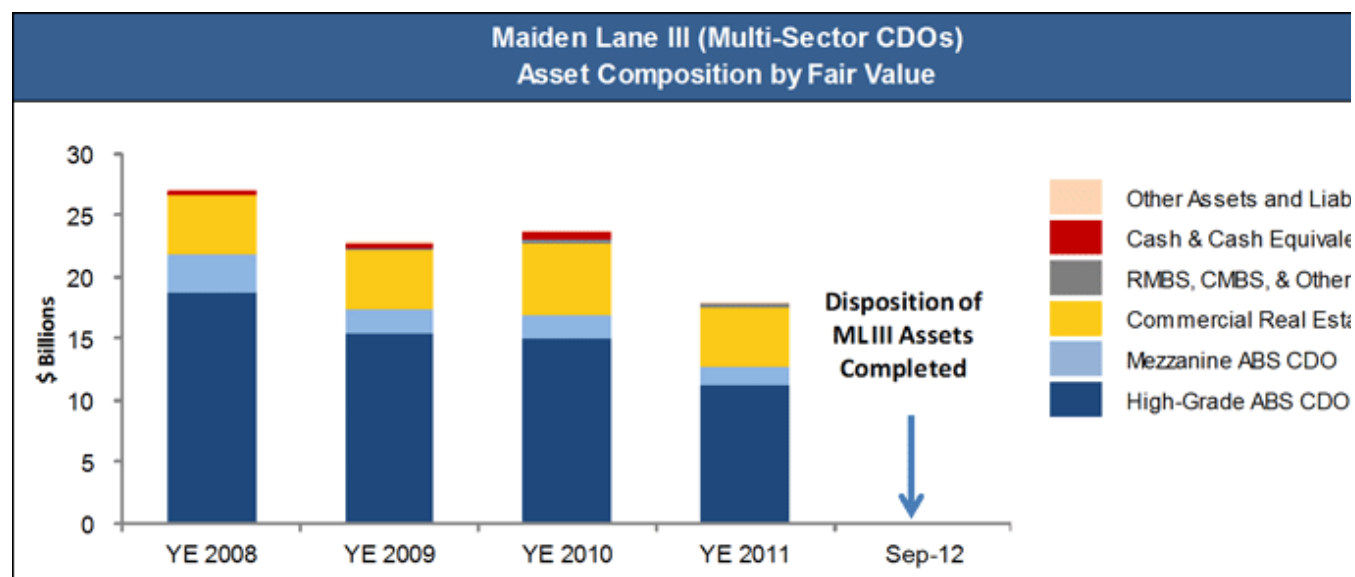
¹⁰The parties to these contracts are Deloitte & Touche and the Board of Governors of the Federal Reserve System. Inquiries regarding these contracts should be directed to the Board of Governors of the Federal Reserve System.

¹¹Delays 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 notional balance associated with these positions as the securities were fully written down prior to the last ML II sale on February 29, 2012. Thus, the subsequent sale of these zero-factor securities had no material impact on the net gain reported for the ML II portfolio.

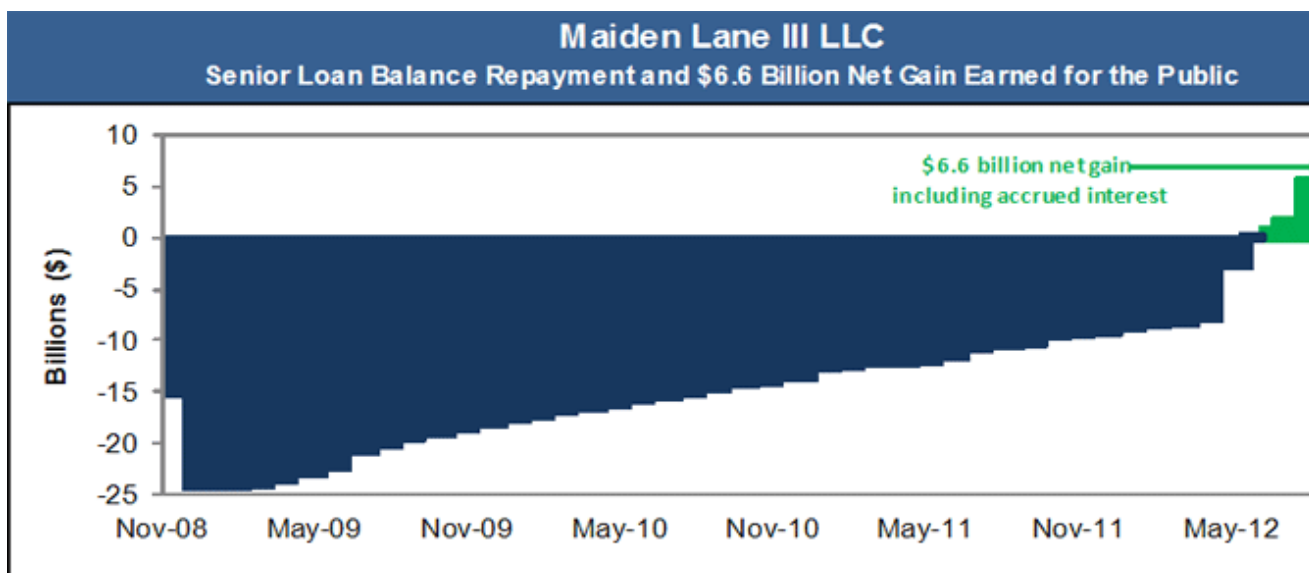
1. Transaction Overview
2. Significant Transaction Terms
3. Management of Portfolio Assets
4. Vendors
5. Periodic Releases
6. Asset Sales

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 III LLC, reflecting residual receipts and reserves held to meet trailing expenses 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 for American International Group Inc. (AIG) in order to provide the company with more time and greater flexibility to sell assets and restructure its operations. The Federal Reserve Bank of New York (New York Fed) created Maiden Lane III LLC (ML III LLC) to alleviate capital pressures on AIG associated with credit derivative contracts written by AIG Financial Products (AIGFP).

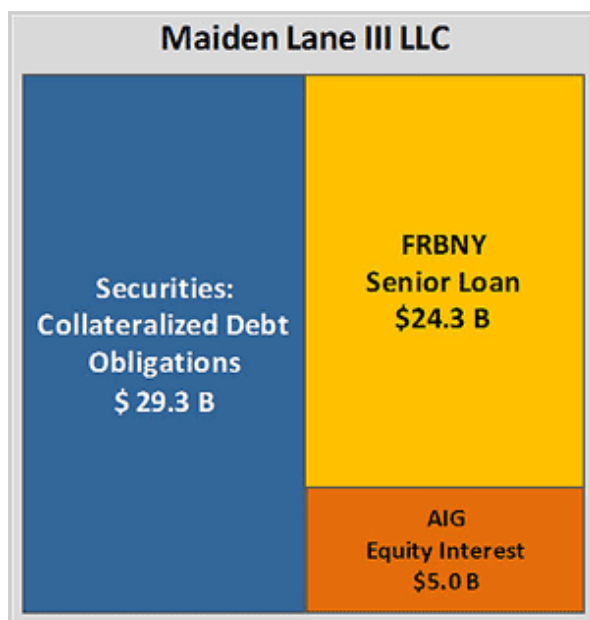
- [Senate Testimony: Vice Chairman Kohn »](#)
March 5, 2009
- [House Testimony: Chairman Bernanke OFFSITE](#)
March 24, 2009
- [Testimony: Thomas Baxter »](#)
January 27, 2010

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

ML III LLC borrowed \$24.3 billion¹² from the New York Fed, which, together with an equity contribution of \$5.0 billion provided by the Treasury (including interest), was used to purchase a portfolio of U.S. dollar denominated collateralized debt obligations (CDOs) from certain counterparties of AIGFP.

The counterparties agreed to sell CDOs to ML III LLC in exchange for a purchase payment from ML III LLC and their retention of the CDOs previously posted by AIGFP under the related credit derivative contracts, for an overall consideration of par. In connection with the purchase, each AIGFP counterparty agreed to terminate the related credit derivative contracts between it and AIGFP.

In connection with the purchases of CDOs by ML III LLC and the termination of the related credit derivative contracts, ML III LLC paid its counterparties \$26.8 billion and AIGFP \$2.5 billion¹³.



The ML III LLC transaction closed in two stages with a portion of the portfolio settling on November 25, 2008, and the remaining portion on December 18, 2008. The value of the assets ML III LLC purchased was based on BlackRock Financial Management Inc.'s estimate as of October 31, 2008¹⁴. As of October 31, 2008, the ML III LLC portfolio had an estimated fair value of approximately \$29 billion and a par value of approximately \$62.1 billion.

- [Maiden Lane III LLC Terms and Conditions Press Release »](#)

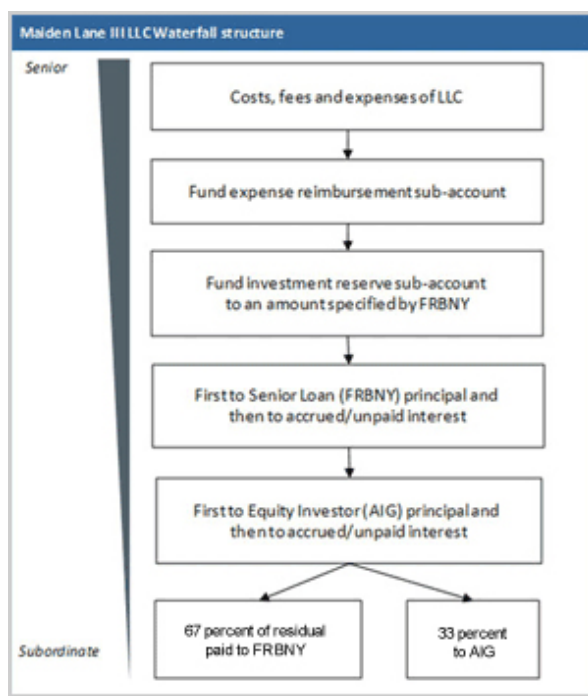
SELECTION CRITERIA FOR PORTFOLIO ASSETS

Under the terms of the agreement with New York Fed, the assets purchased by ML III LLC had to be CDO tranches referencing U.S. government or agency denominated cash bonds.

The review and selection of these assets was conducted by the New York Fed in conjunction with its advisor, BlackRock Financial Management Inc.

SIGNIFICANT TRANSACTION TERMS

- The New York Fed loan to ML III LLC is secured by ML III LLC's portfolio of assets. The loan has a stated term of 6 years, and extended by the New York Fed at its discretion.
- The interest rate on the New York Fed loan is one-month LIBOR plus 100 basis points.
- After the New York Fed loan has been repaid in full plus interest, to the extent that there are sufficient remaining cash proceeds, ML III LLC is entitled to repayment of its equity interest, 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 AIG's equity interest (each including accrued interest), any remaining proceeds are split 67 percent to the New York Fed and 33 percent to AIG (or its assignee).
- The distribution of the proceeds realized on the ML III 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):



MANAGEMENT OF PORTFOLIO ASSETS

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

The investment manager's objective for ML III LLC's portfolio was to 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 maintains an economic stake in AIG on behalf of the United States taxpayer, while also striving to maximize sale proceeds and return to investors under prevailing general financial market conditions. The sale of securities from ML III LLC enabled the full repayment of the loan extended by the New York Fed on June 14, 2012 and the equity contribution made by AIG on July 16, 2012. On August 23, 2012, ML III LLC completed the sale of its remaining securities. The New York Fed received 67 percent of residual profits generated by proceeds from these sales.

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. Other than assets that were acquired by ML III LLC as part of a portfolio liquidation of one or more CDOs held by ML III LLC, cash proceeds from the asset portfolio could only be invested in U.S. Treasury 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.

VENDORS

- [BlackRock PDF](#)
- [Bank of New York Mellon PDF](#)
- [Ernst & Young PDF](#)
- Deloitte & Touche¹⁵

PERIODIC RELEASES

- **Weekly H.4.1 Federal Reserve Statistical Release** [OFFSITE](#)

ML III LLC's assets and liabilities are consolidated onto the books of the New York Fed. As a result, ML III LLC's quarterly fair value report (which includes 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 implemented in response to the financial crisis.

- **Quarterly Summary of Assets and Outstanding Loan Balance** [PDF](#)

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- **Holdings Report** [PDF](#) [EXCEL](#)

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- **Year-end Financials** [PDF](#)

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ASSET SALES

In light of improving market conditions, ML III LLC's investment objective was revised in April 2012 to allow for the exploration of selling assets held in the portfolio. There was no fixed timeframe for the sales; at each stage, the Federal Reserve sold an asset only if the available bid represented good value for the public, while taking appropriate care to avoid market disruption. The asset sales information provided below is intended to enhance the transparency around ML III LLC portfolio asset sales. On August 23, 2012, ML III LLC completed the sale of its remaining securities.

[New York Fed Solicits Bids for MAX CDO Holdings in Maiden Lane III LLC »](#)

[New York Fed Sells MAX CDO Holdings in Competitive Process »](#)

[New York Fed Solicits Bids for Triaxx CDO Holdings in Maiden Lane III LLC »](#)

[New York Fed Sells TRIAXX CDO Holdings in Competitive Process »](#)

[Statement on the Postponement of the Maiden Lane III Auction »](#)

[New York Fed Resumes Auction of Duke CDO Holdings in ML III »](#)

[New York Fed Sells Remainder of Maiden Lane III LLC Securities; Marks End of AIG-Related Assistance; Approximately \\$1.5 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:

- **Security Offerings**

Timing and general information about securities offered 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 45 days of quarter end.

A breakdown showing the proportion of the loan repayment attributed to asset sales proceeds is included in the Quarterly Summary of Assets and Outstanding Loan Balance under Periodic Releases as of quarter end with a 45-day delay¹⁶.

- **Transaction Data** [EXCEL](#)

[SHOW](#) 

Asset level detail of transactions completed in Maiden Lane III.

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another bidder, may be asked to disclose information about their small, veteran-, minority- and women- owned business status as of their business partners. Please note, however, that the fact that a bidder is a small, veteran-, minority- and women- owned business not in any way impact the selection of a winning bidder.

Glossary »

¹²The aggregate amount of interest and principal proceeds from CDOs received after the announcement date, but prior to the sale dates, net of financing costs, amounted to approximately \$0.3 billion and therefore reduced the amount of funding required at sale to \$0.3 billion, from \$29.6 billion to \$29.3 billion.

¹³The \$2.5 billion represented the amount by which the value of collateral surrendered by AIGFP for termination of the credit default swap contracts exceeded the contracts' fair value as of October 31, 2008.

¹⁴Therefore, the New York Fed incurred the risk of the ML III LLC asset portfolio from AIGFP as of October 31, 2008.

¹⁵The 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.

¹⁶Delays are necessary to allow operational reconciliations to be performed on the portfolio for the reporting period.

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TIMELINE

Date	Title
2018	
September 18, 2018	New York Fed Sells Remainder of Maiden Lane LLC Securities; Approximately \$2.5 Billion in Net Proceeds Generated for U.S. Public from the Portfolio New York Fed Press Release »
2015	
March 20, 2015	New York Fed releases annual financial statements New York Fed Financial Statements »
March 20, 2015	Federal Reserve System publishes annual financial statements Board of Governors Press Release OFFSITE
2014	
March 14, 2014	New York Fed releases annual financial statements New York Fed Financial Statements »
March 14, 2014	Federal Reserve System publishes annual financial statements Board of Governors Press Release OFFSITE
2013	
March 15, 2013	New York Fed releases annual financial statements New York Fed Financial Statements »
March 15, 2013	Federal Reserve System publishes annual financial statements Board of Governors Press Release OFFSITE
2012	

August 23, 2012	New York Fed sells remainder of Maiden Lane III LLC securities; marks end of AIG-related accumulation period; approximately \$6.6 billion net gain generated for U.S. public from the portfolio New York Fed Press Release »
June 14, 2012	New York Fed announces full repayment of its loans to Maiden Lane LLC and Maiden Lane III New York Fed Press Release »
May 21, 2012	New York Fed resumes auction of Duke CDO holdings in ML III New York Fed Release »
May 18, 2012	Statement on the postponement of the Maiden Lane III auction New York Fed Statement »
May 10, 2012	New York Fed sells TRIAXX CDO holdings in competitive process New York Fed Press Release »
May 4, 2012	New York Fed solicits bids for Triaxx CDO holdings in Maiden Lane III LLC New York Fed Press Release »
April 26, 2012	New York Fed sells MAX CDO holdings in competitive process New York Fed Press Release »
April 18, 2012	New York Fed solicits bids for MAX CDO holdings in Maiden Lane III LLC New York Fed Press Release »
March 20, 2012	New York Fed releases annual financial statements New York Fed Financial Statements »
March 20, 2012	Federal Reserve System publishes annual financial statements Board of Governors Press Release OFFSITE
February 28, 2012 *	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 * New York Fed Press Release »
February 8, 2012	New York Fed sells \$6.2 billion in face amount of Maiden Lane II LLC assets; New York Fed repaid in full New York Fed Press Release »
January 19, 2012	New York Fed sells \$7.014 billion in face value of ML II LLC assets New York Fed Press Release »
2011	
March 30, 2011	New York Fed to sell Maiden Lane II assets in competitive process over time New York Fed Press Release »
March 22, 2011	Federal Reserve System publishes annual financial statements Board of Governors Press Release OFFSITE
March 11, 2011	Statement related to offer by AIG to purchase Maiden Lane II LLC New York Fed Press Release »
2010	
December 1, 2010	Federal Reserve releases detailed information about transactions conducted to stabilize markets during the recent financial crisis Usage of Federal Reserve Credit and Liquidity Facilities OFFSITE
June 26, 2010	Maiden Lane LLC accumulation period ends and paydown of New York Fed loan begins
June 9, 2010	New York Fed publishes website on actions related to AIG New York Fed Press Release »

May 26, 2010	Joint Testimony: Thomas Baxter and Sarah Dahlgren on New York Fed's involvement with A Baxter - Dahlgren Joint Testimony »
April 21, 2010	Federal Reserve System publishes annual financial statements Board of Governors Press Release OFFSITE
March 31, 2010	New York Fed releases the portfolio holdings detail for the Maiden Lane facilities New York Fed Press Release »
January 27, 2010	New York Fed General Counsel Thomas C. Baxter testifies before the House Committee of and Reform on AIG counterparties Baxter Testimony »
January 19, 2010	New York Fed releases second statement on public disclosures of AIG concerning Maiden L New York Fed Press Release on ML III Counterparties »
January 19, 2010	New York Fed releases statement supporting comprehensive U.S. Government Accountabili (GAO) review on AIG and provides AIG-related documents to Congress. New York Fed Press Release »
2009	
April 28, 2009	New York Fed publishes web page on Maiden Lane transactions. New York Fed Press Release »
April 23, 2009	Federal Reserve System and the New York Fed publishes annual financial statements Board of Governors Press Release OFFSITE
March 15, 2009	AIG discloses counterparties to credit default swaps (CDS), Guaranteed Investment Agreem and securities lending transactions. AIG Press Release OFFSITE
March 5, 2009	Vice Chairman Kohn testifies before Senate Committee on Banking, Housing and Urban Aff Federal Reserve Support of AIG Kohn Testimony OFFSITE
February 23, 2009	Federal Reserve Board launches new website on credit and liquidity programs Board of Governors Press Release OFFSITE
2008	
December 24, 2008	AIG announces purchase of additional \$16 billion in par amount of collateralized debt obliga by ML III LLC. AIG Press Release OFFSITE
December 16, 2008	New York Fed releases terms and conditions for ML II LLC. New York Fed Press Release »
December 15, 2008	AIG sells residential mortgage-backed securities (RMBS) to Maiden Lane II LLC (ML II) as a November 10 restructuring. AIG also terminates domestic securities lending program. AIG Press Release OFFSITE
December 3, 2008	New York Fed releases terms and conditions for ML III LLC. New York Fed Press Release »
December 2, 2008	AIG announces purchase of collateralized debt obligations (CDOs) by Maiden Lane III LLC (AIG Press Release OFFSITE
December 1, 2008	Chairman Ben S. Bernanke speech on Federal Reserve Policies in the Financial Crisis Bernanke Speech OFFSITE

November 10, 2008	Board of Governors and Treasury announce the restructuring of the government's financial s AIG. Board of Governors Press Release OFFSITE
October 8, 2008	Federal Reserve Board approves additional secured credit facility to support AIG Board of Governors Press Release OFFSITE
September 29, 2008	Statement by the New York Fed regarding AIG transaction New York Fed Press Release »
September 16, 2008	Federal Reserve Board of Governors authorizes New York Fed to lend \$85 billion to America International Group (AIG) Board of Governors Press Release OFFSITE
June 26, 2008	New York Fed completes financing arrangement related to JPMorgan Chase's acquisition of Stearns New York Fed Press Release »
May 29, 2008	Statement on financing arrangement related to JPMorgan Chase's acquisition of Bear Stearn New York Fed Press Release »
April 3, 2008	New York Fed President testifies before U.S. Senate Committee on Banking, Housing and U on actions taken in response to liquidity pressures in the financial markets Geithner Testimony »
April 3, 2008	Chairman Ben S. Bernanke testifies before the U.S. Senate Committee on Banking, Housing Affairs on developments in the financial markets Bernanke Testimony OFFSITE
April 2, 2008	Chairman Ben S. Bernanke testifies before the Joint Economic Committee, U.S. Congress Bernanke Testimony OFFSITE
March 24, 2008	Summary of Terms and Conditions Regarding the JPMorgan Chase Facility New York Fed Press Release »
March 16, 2008	Federal Reserve Board authorizes the New York Fed to extend a \$30 billion loan to facilitate of Bear Sterns and J.P. Morgan Chase under section 13(3) of the Federal Reserve Act. Board of Governors Press Release OFFSITE

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