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USA

Federal Reserve saves AIG

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AIG has managed to escape bankruptcy, but it is going to be practically nationalised. The US central bank announced that it was going to give a loan that could be as high as \$85 billion and would get a 79.9% stake in the capital of the United States' largest insurance group.

The US Federal Reserve Board of Governors said that in the current circumstances, the collapse of AIG could increase the frailty of the financial markets, cause a substantial increase in the cost of credit, a reduction in family wealth and the weakening "of the country's economic performance".

The US state is going to get a 79.9% stake in the capital of AIG, meaning the company is going to be mainly nationalised, and get the right to veto any distribution of dividends to shareholders and preference security holders.

AIG will repay the loan from the money it gets from selling assets and will allow the insurer to "honour its current obligations as and when they arise".

The loan will facilitate the orderly sale of certain group activities, "disturbing the global economy as little as possible".