Statement Regarding Recent Maiden Lane II Litigation Matters

Federal Reserve System: Federal Reserve Bank of New York

https://elischolar.library.yale.edu/ypfs-documents/3781

This resource is brought to you for free and open access by the Yale Program on Financial Stability and EliScholar, a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact ypfsv@yale.edu.
Statement Regarding Recent Maiden Lane II Litigation Matters

March 1, 2013

In managing and disposing of the assets in Maiden Lane II LLC (ML II), the New York Fed made all reasonable efforts to ensure repayment of its loan to ML II and maximize value on behalf of the taxpayer, resulting in a realized net gain of $2.8 billion for the U.S. public.

As part of this process, we reviewed potential legal claims that ML II might be able to assert against banks and others relating to securities held by ML II based on an assessment of the viability of each potential claim as well as the costs and time required to pursue it. In making judgments as to which claims to pursue, no consideration was given to the interest of any of the banks involved.

For example, our approach to litigation led ML II to join a group of other institutional investors to secure a global settlement for Countrywide issued RMBS trusts in an amount of $8.5 billion and required Bank of America to improve its servicing practices and standards; a settlement that many consider historic in terms of its size and scope.

Our approach to litigation also led ML II to reach an additional settlement with Bank of America in connection with certain RMBS it had purchased from AIG, which resulted in total compensation to ML II of approximately $62 million. As part of that settlement, ML II released all claims it had against Bank of America related to those securities. ML II did so in order to secure the settlement and after an analysis of the strength of the potential claims, the cost of pursuing such claims and the likelihood that it would succeed if it was to pursue them.

As part of the settlement, ML II agreed to state for the record, if requested, that its intent at the time ML II purchased the securities from AIG was to assume all rights and privileges. This was deemed reasonable as (i) it was true; (ii) it allowed the settlement to go forward despite the fact that AIG had initiated its own suit against BoA; and, (iii) it did not purport to settle the question of who actually owns the claims, which is a matter for the courts.

That statement of fact was provided as per the settlement agreement in a California action between AIG and Bank of America to which the New York Fed is not a party.

Neither ML II nor the New York Fed has sought to intervene in the California action. It is for the Courts to determine whether AIG retains any potential tort claims related to the RMBS that ML II purchased from AIG.