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AIG Status of Collateral Call Postings

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Collateral Call Status

Due to the extreme illiquidity of the reference bonds and the current environment, all of the CSA calls we have had for the CDO negative basis trades we have currently are friendly discussions rather than disputed calls. All of the dealers have been willing to enter into a dialogue to try and best sort out the CSA calls as they appreciate that there is no clear market level to use. We are having such discussions with all of the counterparties listed below and there is no urgency on their part to resolve these issues as they all fully understand how difficult it is to get true prices. All of the dealers feel that as the market is under extreme stress that prices should perhaps be lower but none have any real idea as to how best to calculate that price or if indeed that statement is true. The market is so illiquid that there are no willing takers of risk currently so valuations are simply best guesses and there is no two way market in any sense of the term.

Below I have listed the current status with each dealer and shown the prices they have used. At the end I have summarised all of the prices to show the range we have when we do have instances of deals having more than one price. There is no one dealer with more knowledge than the others or with a better deal flow of trades and all admit to "guesstimating" pricing

Merrill Lynch:

We have \$9.92bn of CDO negative basis trades on with Merrill Lynch currently. This is made up from 22 different bonds from 20 different transactions. In all of the trades there is an 8% price threshold before any posting is required and as with all of our CDO negative basis trades the posting is based on the cash bond price not the value of our CDS contract. As of Monday 26th November they had made calls under 18 of these trades asking for a total collateral amount of \$610mm. The prices they quoted and for which bonds are shown below:

| | | |
|------------------------|------|--------|
| Bernoulli | A-1A | 74.96% |
| Bernoulli | A-1B | 74.17% |
| Cascade | A1 | 91.16% |
| Duke Funding VIII | A1S | 85.00% |
| Fort Sheridan | A1 | 86.89% |
| Fort Sheridan | A1 | 86.23% |
| Glacier III | A-1 | 84.74% |
| Independence V | A1 | 90.00% |
| Independence VI | A-1 | 79.54% |
| Jupiter II | A1 | 85.67% |
| Khaleej II | A1 | 66.80% |
| Kleros | A-1 | 86.00% |
| Montauk Point | A-1 | 55.00% |
| Neptune 2004-1 | A11A | 90.00% |
| Neptune II | A-1 | 80.00% |
| Straits Global ABS CDO | A1 | 89.67% |

| | | |
|-----------------------|----|--------|
| Streeterville ABS CDO | | |
| Ltd | A1 | 89.97% |
| Toro | A | 89.98% |

There are 4 remaining positions that they have not made collateral calls on, implying they see the prices in excess of 92%. These trades are:

| | |
|-----------------------|------|
| Lakeside II | A1 |
| Mercury ABS CDO 2004- | |
| I | A1VB |
| South Coast IV | A1 |
| South Coast V | A1 |

We have disputed the call with them and they agree that prices are too illiquid to be reliable. They are investigating internally an alternative solution to the pricing mechanism and we expect them to revert soon.

Bank of Montreal:

We have \$1.6bn of CDO negative basis trades on with Bank of Montreal. This is made up of 9 different bonds from 4 transactions. There is no threshold to the CSA so we are required to post as soon as prices deviate are below 100.00%. They have made collateral calls totalling 41mm. The prices they quoted and for which bonds are shown below:

| | | |
|----------------|----------------|--------|
| Bluegrass | | |
| 2004-II | A1TB | 99.35% |
| Bluegrass | | |
| 2004-II | A1TA | 98.89% |
| Davis Square I | A1B | 99.55% |
| Davis Square I | A1C | 99.55% |
| Davis Square I | A1D | 99.55% |
| Duke VI | Series 3 Notes | 99.20% |
| Putnam 2002-1 | A-1MT-A | 93.35% |
| Putnam 2002-1 | A-1MT-B | 93.35% |
| Putnam 2002-1 | A-1MT-C | 93.35% |

Calyon

We have \$4.5bn of CDO negative basis trades on with Calyon. This is made up of 9 different bonds from 4 transactions. There is an 8% threshold to the CSA. They have made collateral calls totalling \$343mm. The prices they quoted and for which bonds are shown below:

| | | |
|----------------|-------------------|--------|
| Davis Sq III | A1LT | 95.00% |
| | <i>commercial</i> | |
| Davis Sq III | <i>paper</i> | 95.00% |
| | <i>commercial</i> | |
| Davis Square V | <i>paper</i> | 75.00% |

| | | |
|---------------|------|--------|
| Duke 2004-7 | 1A1 | 80.00% |
| Monroe Harbor | A-1A | 90.00% |
| Monroe Harbor | A-1B | 90.00% |

As with Socgen, Calyon do not calculate prices them selves and rely on the bank that sold the bonds to them to provide levels. Half of the levels came from Goldman. We have disputed the call with Calyon and have just started discussions as to a solution.

Deutsche Bank

We have \$600mm of CDO negative basis trades on with DB. This is made up of 1 bonds. There is a 10% threshold to the CSA. They have made no collateral calls.

| | |
|-----------|-----|
| Palisades | A1A |
|-----------|-----|

Goldman Sachs

We have \$23bn of CDO negative basis trades on with Goldman Sachs. This is made up of 51 different positions from 33 transactions. 7 transactions are only eligible for inclusion under the CSA if the lower rated tranches are downgraded and as that has not happened they are not included in any CSA calculation: These total \$5.2bn and are shown below:

| |
|-----------------|
| Abacus 2004-1 |
| Abacus 2004-2 |
| Abacus 2005-2 |
| Abacus 2005-3 |
| Abacus 2005-CB1 |
| Abacus 2006-NS1 |
| Abacus 2007-18 |

There are different thresholds to the CSA for the different trades with some with no threshold and the majority with 4%. They have made collateral calls totalling \$3bn on 38 positions covering 23 different transactions. The prices they quoted and for which bonds are shown below:

| | | |
|-------------|------|--------|
| Altius II | A-1 | 87.50% |
| Broderick | A-1V | 67.50% |
| | A- | |
| Broderick | 1NVA | 67.50% |
| | A- | |
| Broderick | 1NVB | 67.50% |
| Duke 2004-7 | 1A2 | 70.00% |
| Duke 2004-7 | 1A2v | 70.00% |

| | | |
|---------------------------|------|--------|
| Dunhill | A1NV | 75.00% |
| Dunhill | A1VA | 75.00% |
| Huntington | A-1A | 80.00% |
| Huntington | A-1B | 80.00% |
| Independence V | A1 | 67.50% |
| Ischus II | A-1A | 55.00% |
| Ischus II | A-1B | 55.00% |
| | A- | |
| Jupiter III | 1NV | 75.00% |
| | A- | |
| Jupiter III | 1VA | 75.00% |
| | A- | |
| Kleros II | 1NV | 82.50% |
| Kleros II | A-1V | 82.50% |
| | A- | |
| Lexington | 1ANV | 60.00% |
| Lexington | A-1B | 60.00% |
| Mercury ABS CDO 2004-1 | A1VA | 90.00% |
| Mercury ABS CDO 2004-1 | A1NV | 90.00% |
| MKP Cdo III | A1 | 93.75% |
| Orchid II | A-1 | 65.00% |
| | A- | |
| Orient Point | 1NVB | 60.00% |
| Orient Point | A-1V | 60.00% |
| | A- | |
| Orient Point | 1NVA | 60.00% |
| Reservoir Funding CDO Ltd | A1NV | 80.00% |
| Reservoir Funding CDO Ltd | A1V | 80.00% |
| River North 2005-1 | A1 | 70.00% |
| Saturn Ventures 2005-1 | A-1 | 80.00% |
| Sherwood II | A-1 | 60.00% |
| | A- | |
| South Coast VII | 1ANV | 65.00% |
| South Coast VII | A-1B | 65.00% |
| | A- | |
| South Coast VIII | 1NV | 55.00% |
| South Coast VIII | A-1V | 55.00% |
| | A- | |
| Triaxx Prime 2006-2 | 1B1 | 92.50% |
| | A- | |
| Triaxx Prime 2006-2 | 1B2 | 92.50% |
| West Coast | A-1A | 62.50% |
| West Coast | A-1B | 67.50% |

There are 4 bonds where they have made no calls and as these trades have thresholds of 4% it implies a price of greater than 96 for these positions currently.

| | |
|-----------------|------|
| Coolidge | A-1 |
| Fortius | A-1 |
| Glacier 2004-2A | A1NV |
| Glacier 2004-2A | A1V |
| Hout Bay | A-1 |

Royal Bank of Scotland

We have 4 negative basis trades with RBS totalling \$1.35bn. There is no threshold to the CSA and they have made no collateral calls.

| | |
|-------------|-------|
| Bernoulli | A-1A |
| Jupiter III | A-1VB |
| Kleros | A-1 |
| MKP Cdo IV | A1 |

Socgen

We have 38 negative basis trades on with Socgen totalling 18.64bn across 25 different transactions. They all have an 8% threshold for the CSA. They have made margin calls on 25 positions out of the 38 shown below:

| | | |
|------------------------------|-------------------------|--------|
| Adirondack | A-1LT | 79.84% |
| Adirondack | <i>commercial paper</i> | 72.06% |
| Adirondack II | A-1LT | 82.21% |
| Adirondack II | <i>commercial paper</i> | 76.84% |
| Alexander Park | A1 | 77.52% |
| Altius 1 | A-1LT | 82.41% |
| Altius 1 | <i>commercial paper</i> | 78.59% |
| BFC Genesec | A-1LA | 64.85% |
| Camber 3 | A-1 | 86.50% |
| Davis Square IV | A-1LT | 82.50% |
| Davis Square IV | <i>commercial paper</i> | 82.50% |
| Davis Square VI | A-1LT-a | 67.50% |
| Davis Square VI | <i>commercial paper</i> | 67.50% |
| Duke Funding II High Grade I | A1LT | 88.00% |
| Duke Funding High Grade I | <i>commercial paper</i> | 88.00% |
| G Street | A-1LT | 79.90% |
| G Street | <i>commercial paper</i> | 72.49% |
| MKP Cdo IV | A1 | 68.88% |
| MKP CDO V | A1 | 59.37% |
| Neptune 2004-1 | A1LA | 75.00% |
| Sierra Madre | A1A | 63.65% |
| Sierra Madre | <i>commercial paper</i> | 86.92% |
| TABS 2005-4 | A | 59.36% |
| Witherspoon 2004-1A | A1 | 84.54% |
| Witherspoon 2004-1A | A1 | 86.00% |

There are 13 other positions that they have not made margin calls on hence implying prices in excess of 92%.

| | |
|---------------------|-------------------------|
| Belle Haven 2004-1A | A1ST |
| Belle Haven 2004-1A | <i>commercial paper</i> |
| Davis Sq. II | A1D MT |

| | |
|-----------------------------|--------------------------|
| Laguna ABS CDO | A1S <i>commercial</i> |
| Laguna ABS CDO | <i>paper</i> |
| Lakeside II | A1 |
| Margate | A1S |
| Putnam 2002-1 | A-1LT-E |
| Putnam 2002-1 | A-1LT-J |
| Putnam 2002-1 | A-1LT-D |
| Sherwood Funding ABS CDO | A1 |
| South Coast IV | A1 |
| Streeterville ABS CDO Ltd | A1 |

It should be noted that as with Calyon, Socgen do not calculate prices themselves and simply ask the dealer they bought the bond from for a current estimate of current levels and they then pass this level on to us in the form of the CSA call. Half of the trades they have made calls under are using levels provided by Goldman.

Socgen also appreciate the illiquid nature of the market and the fact that they have no real ability to “gut check” the prices they have received. As with others they have happily entered into a dialogue to try and come to an acceptable solution in the face of no way to get true dealer levels.

UBS

We have 8 negative basis trades on with UBS totalling 6.3bn. There is no threshold for the CSA. They have made calls of 40mm on 3 trades as shown below:

| | | |
|-------------------------|------|--------|
| Summit RMBS CDO I, Ltd. | A-1S | 99.20% |
| Vertical | A-1 | 98.91% |
| Triaxx Prime 2006-1 | A1 | 99.08% |

There are 5 other trades where they have made no calls implying prices of 100.00%. These 5 are:

| | |
|-----------|--------|
| Ischus HG | A1S |
| Long Hill | A-S1VF |
| Long Hill | A-S2T |
| Margate | A1S |
| Whately | A1A |

Wachovia

We have 6 trades covering 1 transaction with Wachovia for a total of 818mm. There is an 8% threshold on this trade and they have made no collateral call.

| | |
|--------------|--------|
| Davis Sq. II | A1A MT |
|--------------|--------|

| | |
|--------------|--------|
| Davis Sq. II | A1B MT |
| Davis Sq. II | A1C MT |
| Davis Sq. II | A1A MM |
| Davis Sq. II | A1B MM |
| Davis Sq. II | A1C MM |

Summary of prices we have received:

I think the table below perhaps best summarises what we have received – basically the prices we have received are all over the place and everyone we talk to has openly admitted that the bonds we are referencing, have not, and do not trade.

For illustration I have copied below the overall summary of the deals that have been referenced in our recent CSA calls. As you can see where we do have more than one level they are never that close. As a few examples, Goldman priced Dunhill at 75 and Merrill priced it at 95: Independence V is subject to collateral calls from both ML and GS but the former calculates a price of 90 and the latter is using 67.5.

Finally it is important to realise that many of the levels we have received are all coming from the same dealers as so few dealers are prepared to venture a guess as to what the levels should be. Many of our prices from the likes of Socgen and Calyon are simply a pass through from the likes of Goldman.

| <u>Deal Name</u> | <u>Level used</u> <u>in CSA</u> | <u>Who</u> <u>From?</u> | <u>Level used</u> <u>in CSA</u> | <u>Who</u> <u>From?</u> | <u>Other</u> <u>Prices</u> <u>received?</u> <u>(for 10/31)</u> | <u>Who</u> <u>From?</u> |
|------------------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|---|----------------------------|
| Adirondack 2005-1 | 79.84 | Socgen | | | | |
| Adirondack 2005-2 | 82.21 | Socgen | | | | |
| Alexander Park CDO I | 77.52 | Socgen | | | | |
| Altius I Funding | 82.5 | Socgen | | | | |
| Altius II Funding | 87.5 | GS | | | | |
| Belle Haven ABS CDO | Assumed >92 | Socgen | | | | |
| Bernoulli High Grade CDO I | 74.96 | ML | Assumed =100 | RBS | | |
| BFC Genesee CDO | 64.85 | Socgen | | | | |
| BLUEGRASS ABS CDO II | 99.35 | BMO | | | | |
| Broderick CDO I LTD | 67.5 | GS | | | 95 | ML |
| Camber 3 | 60 | GS | 86.5 | Socgen | | |
| Cascade Funding CDO I | 91.16 | ML | | | | |
| Coolidge Funding | Assumed >96 | GS | | | | |
| Davis Square 2003-1 | 99.55 | BMO | | | | |
| Davis Square Funding II, Ltd | Assumed >92 | Socgen | Assumed >92 | Wachovia | | |
| DAVIS SQUARE FUNDING III | 95 | Calyon | | | | |
| Davis Square Funding IV | 82.5 | Socgen | | | | |
| Davis Square Funding V | 75 | Calyon | | | | |
| Davis Square Funding VI | 67.5 | Socgen | | | | |
| Duke Funding HG 1 | 88 | Socgen | | | | |
| Duke Funding VI | 99.2 | BMO | | | | |
| Duke Funding VII | 80 | Calyon | 70 | GS | | |
| Duke Funding VIII CDO | 85 | ML | | | | |
| Dunhill ABS CDO | 75 | GS | | | 95 | ML |
| Fort Sheridan CDO | 86.89 | ML | | | | |

| | | | | | | |
|----------------------------------|-------------|--------|--------------|--------|----|----|
| Fortius I Funding | Assumed >96 | GS | | | | |
| G Street Finance | 79.9 | Socgen | | | | |
| Glacier Funding CDO II | Assumed >96 | GS | | | 95 | ML |
| Glacier Funding CDO III | 84.74 | ML | | | | |
| Hout Bay 2006-1 | Assumed >96 | GS | | | | |
| Huntington CDO | 80 | GS | | | 95 | ML |
| Independence V CDO | 90 | ML | 67.5 | GS | | |
| Independence VI CDO | 79.54 | ML | | | | |
| Ischus CDO II | 55 | GS | Assumed=100 | UBS | | |
| Jupiter High-Grade CDO II | 85.67 | ML | | | | |
| Jupiter High-Grade CDO III | 75 | GS | Assumed =100 | RBS | 95 | ML |
| Khaleej II CDO | 66.8 | ML | | | | |
| Kleros Preferred Funding | 86 | ML | Assumed =100 | RBS | | |
| Kleros Preferred Funding II | 82.5 | GS | | | 95 | ML |
| Laguna ABS CDO | Assumed >92 | Socgen | | | | |
| Lakeside CDO II | Assumed >92 | ML | Assumed >92 | Socgen | | |
| Lexington Capital Funding | 60 | GS | | | 90 | ML |
| Long Hill 2006-1 | Assumed=100 | UBS | | | | |
| Margate Funding I | Assumed >92 | Socgen | Assumed=100 | UBS | | |
| Mercury CDO 2004-1 | Assumed >92 | ML | 90 | GS | 92 | ML |
| MKP CBO III | 93.75 | GS | | | | |
| MKP CBO IV | 68.88 | Socgen | Assumed =100 | RBS | | |
| MKP CBO V | 59.37 | Socgen | | | | |
| Monroe Harbor CDO 2005-1 | 90 | Calyon | | | | |
| Montauk Point CDO | 55 | ML | | | | |
| Neptune CDO 2004-1 | 90 | ML | 75 | socgen | | |
| Neptune CDO II | 80 | ML | | | | |
| Orchid Structured Finance CDO II | 65 | GS | | | | |
| Orient Point CDO | 60 | GS | | | 95 | ML |
| PALISADES CDO | Assumed >90 | DB | | | | |
| PUTNAM 2002-1 A-1LT | 93.35 | BMO | Assumed >92 | Socgen | | |
| Reservoir Funding | 80 | GS | | | 95 | ML |
| River North CDO | 70 | GS | | | | |
| Saturn Ventures 2005-1 | 80 | GS | | | | |
| Sherwood Funding CDO | Assumed >92 | Socgen | | | | |
| Sherwood Funding CDO II LTD | 60 | GS | | | | |
| SIERRA MADRE FUNDING | 86.92 | Socgen | | | | |
| South Coast Funding IV | Assumed >92 | ML | Assumed >92 | Socgen | | |
| South Coast Funding V | Assumed >92 | ML | | | | |
| South Coast Funding VII | 65 | GS | | | 90 | ML |
| South Coast Funding VIII | 55 | GS | | | 80 | ML |
| Straits Global ABS CDO I | 89.67 | ML | | | | |
| Streeterville ABS CDO | 89.97 | ML | Assumed >92 | Socgen | | |
| Summit RMBS CDO I | 99.2 | UBS | | | | |
| TABS 2005-4 | 59.36 | Socgen | | | | |
| Toro ABS CDO I | 89.98 | ML | | | | |
| Vertical ABS CDO 2005-1 | 98.91 | UBS | | | | |
| WHATELY CDO I | Assumed=100 | UBS | | | | |
| Witherspoon CDO Funding | 86 | Socgen | | | | |
| WESTCOAST 2006-1X A1V | 65 | GS | | | | |
| Triax 2006-2 | 92.5 | GS | | | | |
| Triaxx Prime CDO 2006-1 | 99.08 | UBS | | | | |