

# International: Federal Reserve Bank puts up \$85bn loan to rescue AIG

The US Federal Reserve announced on Wednesday that the Federal Reserve Bank of New York will lend an 85 billion dollar-bridge-loan to American International Group Inc. (AIG) to save the country's biggest insurer from bankruptcy.

The US government, according to reports, is trying to rescue the troubled insurance giant to stave off a bankruptcy because if AIG fails, it could trigger a wave of problems for banks around the world, and could throw the global stock markets into the ugliest chapter of the financial meltdown.

"The Board determined, that, in current circumstances, a disorderly failure of AIG could add to already significant levels of financial market fragility and lead to substantially higher borrowing costs, reduced household wealth and materially weaker economic performance," the Fed said in a statement.

In return, the US government will receive a 79.9% equity interest in AIG and has the right to veto payment of dividends to common preferred shareholders in the deal, the Fed added.

"They're too big to fail. AIG touches too many people and too many companies globally, and it would be much more of a disorderly event if it went bankrupt than it was with Lehman," said Anton Schutz, president of Mendon Capital in Rochester, New York.

AIG is the latest company to be shaken up by a mortgage and credit crisis in which Lehman Brothers Holdings Inc. filed for Chapter 11 bankruptcy protection and Merrill Lynch & Co. sold itself to Bank of America Corp this week.

AIG has 1.1 trillion dollars in assets and 74 million clients in 130 countries.

AIG shares, which had sunk 21% in regular trading, fell as much as 48% in after-hours dealings after reports of a rescue that could wipe out shareholders.

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