

GEITHNER NY FED & CONGRESS KNEW ABOUT AIG BONUSES ALL ALONG

✖ It is not just torture hearings on the training table this morning, there is a plateful of AIG/Bankster/Bailout fun on tap too. At 10:00 am EST, the House Oversight and Government Reform Committee will hold a hearing on "AIG: Where is the Taxpayer Money Going?".

In advance of the big hearing, David Cho and Brady Dennis in the Washington Post have a significant article out this morning confirming what any sane mind has thought all along, namely that the government and the Fed were way deeper in the muck of the AIG bonuses, and knew full well about the issue, long before they have admitted:

Documents show that senior officials at the Federal Reserve Bank of New York received details about the bonuses more than five months before the firestorm erupted and were deeply engaged with AIG as well as outside lawyers, auditors and public relations firms about the potential controversy. But the New York Fed did not raise the alarm with the Obama administration until the end of February.

Timothy F. Geithner, who became Treasury secretary early this year, was the head of the New York Fed when it became aware of the bonus details. But his name is not among those of senior New York Fed officials mentioned in the summaries of phone calls, correspondence and other documents obtained by The Washington Post.

Those documents also illuminate who in

the government, beyond the New York Fed, knew what about the bonuses at AIG's most troubled unit, and when.

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By Sept. 29, the bonus matter first appeared on the radar of the New York Fed, which was designated as the primary contact for AIG, documents show. Senior officials from the New York Fed met with AIG officials to discuss the compensation plans in place at Financial Products, whose risky derivative contracts had brought the insurance giant to the brink of collapse.

AIG e-mailed officials at the New York Fed copies of the company's compensation plans, which detailed bonuses and retention payments, including those at Financial Products, documents show. The issue arose in scores of meetings and conference calls over the ensuing months. AIG also disclosed its retention programs in public filings.

Weeeeeeeee! Another shocking instance of gambling going on at the casino. Or not. Actually, when we first learned of the Semtex laden AIG Retention Contracts there were immediate questions as to how it could be that the Fed and the rest of government had no idea of the explosive potential. Now that we know they knew, it sure is hilarious that Treasury Secretary Tim Geithner, in mid-March 2009, tried to devise a laughably bogus plan to fix the very same problem he apparently full bore ignored in October 2008 at the previous job where he was supposedly the smartest kid in the room.

Of course, it wasn't just the New York Fed, and their purportedly detached head, that have completely misrepresented their depth of knowledge of the pending AIG Bonus Scandal. Congress did too (and they also attempted an inane hasty fix to the problem they had long known of):

Key members of Congress began investigating the payments as long ago as October and, beginning in January, repeatedly warned the Treasury about the matter.

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The spark that would grow into a political firestorm began in October when lawmakers began to request documents about the compensation at Financial Products.

Rep. Elijah E. Cummings (D-Md.) in particular latched on to the issue.

By January, AIG was feeling heat from lawyers at the House Financial Services Committee, and from the offices of Rep. Paul E. Kanjorski (D-Pa.) and Rep. Joseph Crowley (D-N.Y.), who one staff member noted in an e-mail to AIG was "very upset about these payments."

Kanjorski has said that around this time his staff began calling the Treasury about the issue and sending letters, but communication was hindered by the transition between administrations.

Note that *both* the Fed *and* Congress folks were jabbering at the Administration, both that of Bush and Obama, on this long before either Administration has fessed up to. Another shocker. There are a lot more specific facts and discussion in the Washington Post article, and it is worth a full read. In fairness, it is certainly not like we didn't suspect such duplicitous complicity out of these officials, but the starkness of it sure brings the fury of the initial Bonus Babies Scandal revelation right back to the front burner. And just in time for today's hearing. Go figure.

Now, back to the hearing, the official press announcement describes it as follows:

At 10:00 a.m., Chairman Towns and Ranking Member Issa will offer their

respective opening statements and then Chairman Towns will swear in the C.E.O. of AIG, Mr. Edward M. Liddy, at approximately 10:15 a.m. Mr. Liddy will then offer his opening statement followed by questions from the Committee members. At the conclusion of Members' questions for Mr. Liddy, Chairman Towns will swear in the second panel of witnesses [comprised of AIG Trustees and a professor] and proceed with their opening statements, followed by Members' questions.

The hearing will be broadcast in-house on channel 32 and available on the Committee webcast at 10:00 a.m.

The prepared testimony/statement of AIG Chief Ed Liddy is here and the AIG Trustees here.

If you are interested in high finance, and torture is not your cup of tea, tune in and turn on. Of course, that is not to say that the slow rot coming out of Tim Geithner, Congress and the AIG saga isn't torture, it most certainly is.