FRENCH EXECS SHOOT THEIR GUN; OUR AIG EMPLOYEES ACCUSE US OF EXTORTION

Remember the passage of the white paper threatening to blow up the global economy if AIGFP's masters of the universe didn't get their bonuses? It claimed that if top execs at France's AIG Bancaire quit, then the French could appoint their own person, which would count as a default.

> Departures also have regulatory ramifications. As an example, the resignation of the senior managers of AIGFP's Banque AIG subsidiary would allow the Commission Bancaire, the French banking regulator, to appoint its own designee to step in and manage Banque AIG. **Such an appointment would constitute an event of default under Banque AIG's derivative and structured transactions**, including the regulatory capital CDS book ($234 billion notional amount as of December 31, 2008), and potentially cost tens of billions of dollars in unwind costs. Although it is difficult to assess the likelihood of such regulatory action, at a minimum the disruption associated with significant departures related to a failure to honor contractual obligations would require intensive interactions with regulators and other constituents (rating agencies, counterparties, etc.) to assure them of the ongoing viability of AIGFP as well its commitment to honoring counterparty contracts and claims.

Well, those top execs just shot their gun at the global economy. (h/t masaccio)

> Amid the flap over bonuses at American International Group Inc. two of the company's top managers in Paris have resigned. Their moves have left the giant insurer and officials scrambling to replace them to avoid an unlikely but expensive situation in which billions in AIG trading contracts could default.
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> Representatives of the Federal Reserve, AIG's lead U.S. overseer, are talking with French regulators and AIG officials to deal with the consequences of a complicated legal scenario in which the departures of the managers in Banque AIG, a subsidiary of AIG's Financial Products unit, could trigger defaults in $234 billion of derivative transactions, according to people familiar with the situation and a document AIG provided to the U.S. Treasury.

Meanwhile, other European AIGFP MOTUs are accusing us—their bosses—of the same crimes they're committing. (h/t Americablog)

> AIG Financial Products unit head Gerald Pasciucco told a staff meeting for UK and Paris employees on Monday that he thought a demand for repayments was to a certain extent "blackmail," said a London-based recipient of one of the retention bonuses from the bailed-out insurer.
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> "The vast majority of people in London have made the decision that the request is pretty offensive," the employee said. "It effectively constitutes blackmail whether it is criminal or not. There is no moral reason to give it back."
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> [snip]
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> After the meeting, a compliance officer for the Banque AIG unit in London went so far as to ask UK authorities from the Serious Organised Crime Agency (SOCA) to

> probe whether demands to return the payments could be considered extortion, according to emails obtained by Reuters.
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> [snip]
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> In his email sent Tuesday to Banque AIG employees, Haig recommended that they not agree to make any repayments until SOCA had examined the issue, according to a copy of the email obtained by Reuters. Haig wrote that such payments could require consent by authorities under "money laundering provisions."

Someone ought to tell Pasciucco and Haig that it’s not extortion when your boss does it. Particularly not if the boss in question does so ignoring clear threats of catastrophe if said boss exercises boss-like authority. Hell, if EFCA had been passed, they might consider getting themselves a union if they think their bosses—the American taxpayers—are so mean.

Keep in mind, too, that Pasciucco is the guy we brought in to try to fix AIGFP. Nice guy we’ve chosen to work for us, huh?