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HAND DELIVERY

Douglas J. Scheidt, Esq.
Assistant Director and Chief Counsel
Division of Investment Management
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: American International Group, Inc.

Dear Mr. Scheidt:

We submit this letter on behalf of our client American International Group, Inc. ("AIG" or the "Settling Firm") in connection with a settlement agreement arising out of investigations by the Securities and Exchange Commission (the "Commission") and various U.S. states and territories (the "States") of alleged violations of Section 17(a) of the Securities Act of 1933, as amended (the "Securities Act"), Sections 10(b), 13(a), 13(b)(2) and 13(b)(5) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rules 10b-5, 12b-20, 13a-1, 13a-13 and 13b2-1 promulgated thereunder, in connection with AIG's practices in the marketing, sale, renewal, placement or servicing of insurance for its policyholders and its accounting and public reporting practices, including those relating to nontraditional and finite insurance.

AIG, through its subsidiaries, offers property and casualty and life insurance and retirement services products to commercial, institutional and individual customers worldwide. AIG's global businesses also include financial services and asset management. Although AIG is not an investment adviser, registered under Section 203 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), nor does it

currently engage in cash solicitation activities that are subject to Rule 206(4)-3 under the Advisers Act (the “Rule”), AIG may engage in such activities in the future. AIG seeks the assurance of the staff of the Division of Investment Management (“Staff”) that it would not recommend any enforcement action to the Commission under Section 206(4) of the Advisers Act, or the Rule, if an investment adviser pays AIG a cash payment for the solicitation of advisory clients, notwithstanding the existence of the Final Judgment (as defined below) or any related state or territory court injunction.¹ While the Final Judgment does not operate to prohibit or suspend AIG from acting as or being associated with an investment adviser (except as provided in Section 9(a) of the Investment Company Act of 1940 (the “Investment Company Act”))² and does not relate to solicitation activities on behalf of investment advisers, the Final Judgment may affect the ability of AIG to receive cash payments for such activities. The Staff in many other instances has granted no-action relief under the Rule in similar circumstances.

BACKGROUND

AIG has engaged in settlement discussions with the staff of the Division of Enforcement and the States in connection with the matters described above. As a result of these discussions, the Commission filed a complaint (the “Complaint”) against AIG in the United States District Court for the Southern District of New York (the “District Court”) in a civil action captioned Securities and Exchange Commission v. American International Group, Inc. AIG neither admitted nor denied any of the allegations in the Complaint, except as to jurisdiction. On February 16, 2006, the District Court entered a final judgment against AIG relating to the Complaint (the “Final Judgment”), which enjoins AIG from future violations of Section 17(a) of the Securities Act, Sections 10(b), 13(a), 13(b)(2) and 13(b)(5) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-13

¹ AIG expects to also enter into settlement agreements relating to the activity referred to in the Complaint with additional States (the “State Settlement Agreements”). To the extent that any such State Settlement Agreement may result in an injunction by a court of competent jurisdiction that would cause a disqualification under the Rule, this request also covers any such resulting disqualification.

² Under Section 9(a) of the Investment Company Act, AIG and its affiliated persons will, as a result of the Final Judgment, be prohibited from serving or acting as, among other things, an investment adviser or depositor of any registered investment company or principal underwriter for any registered open-end investment company or registered unit investment trust. As of the date of this letter, AIG does not serve or act in any of the foregoing capacities. AIG and affiliated persons of AIG who act in the capacities set forth in Section 9(a) of the Investment Company Act have filed an application under Section 9(c) of the Investment Company Act requesting the Commission to issue both temporary and permanent orders exempting them, and AIG’s future affiliated persons should any of them serve or act in any of the capacities set forth in Section 9(a) in the future, from the restrictions of Section 9(a). The applicants believe that they meet the standards for exemptive relief under Section 9(c), and they expect that the Commission will issue a temporary order prior to or simultaneous with the Final Judgment, and a permanent order in due course thereafter. In no event will AIG or any of its affiliated persons act in any capacity enumerated in Section 9(a) unless and until the Commission issues an order pursuant to Section 9(c) of the Investment Company Act, exempting them from the prohibitions of Section 9(a) of the Investment Company Act resulting from the Final Judgment.

and 13b2-1 promulgated thereunder and requires AIG to pay disgorgement in the amount of \$700 million and a civil penalty of \$100 million and to comply with certain undertakings.

EFFECT OF RULE 206(4)-3

The Rule prohibits an investment adviser from paying a cash fee to any solicitor that has been temporarily or permanently enjoined by an order, judgment or decree of a court of competent jurisdiction from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security. The Final Judgment will cause AIG to be disqualified under the Rule, and accordingly, absent no-action relief, AIG would be unable to receive cash payments, directly or indirectly, for the solicitation of advisory clients.

DISCUSSION

In the release adopting the Rule, the Commission stated that it “would entertain, and be prepared to grant in appropriate circumstances, requests for permission to engage as a solicitor a person subject to a statutory bar.”³ We respectfully submit that the circumstances present in this case warrant a grant of no-action relief.

The Rule’s proposing and adopting releases explain the Commission’s purpose in including the disqualification provisions in the Rule. The purpose was to prevent an investment adviser from hiring as a solicitor a person whom the adviser was not permitted to hire as an employee, thus doing indirectly what the adviser could not do directly. In the proposing release, the Commission stated that:

[b]ecause it would be inappropriate for an investment adviser to be permitted to employ indirectly, as a solicitor, someone whom it might not be able to hire as an employee, the Rule prohibits payment of a referral fee to someone who . . . has engaged in any of the conduct set forth in Section 203(e) of the [Advisers] Act . . . and therefore could be the subject of a Commission order barring or suspending the right of such person to be associated with an investment adviser.⁴

The Final Judgment does not bar, suspend, or limit the Settling Firm or any person currently associated with the Settling Firm from acting in any capacity under the federal securities laws (except as provided in Section 9(a) of the Investment Company Act).⁵ The Settling Firm has not been sanctioned for activities as an investment adviser

³ See Requirements Governing Payments of Cash Referral Fees by Investment Advisers, Inv. Adv. Act Rel. No. 688 (July 12, 1979), 17 S.E.C. Docket (CCH) 1293, 1295, at note 10.

⁴ See Requirements Governing Payments of Cash Referral Fees by Investment Advisers, Inv. Adv. Act Rel. No. 615 (Feb. 2, 1978), 14 S.E.C. Docket (CCH) 89, 91.

⁵ See footnote 2.

or its solicitation of advisory clients.⁶ Accordingly, consistent with the Commission's reasoning, there does not appear to be any reason to prohibit a registered investment adviser from paying AIG for engaging in solicitation activities under the Rule.

The Staff previously has granted numerous requests for no-action relief from the disqualification provisions of the Rule to individuals and entities, including AIG, found by the Commission to have violated a wide range of federal securities laws and rules thereunder and SRO rules or permanently enjoined by courts of competent jurisdiction from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security.⁷

UNDERTAKINGS

In connection with this request, the Settling Firm undertakes the following:

1. To conduct any cash solicitation arrangement entered into with any investment adviser required to be registered under Section 203 of the Advisers Act in compliance with the terms of Rule 206(4)-3 (except for the investment adviser's payment of cash solicitation fees to the Settling Firm, which is subject to the Final Judgment);

⁶ AIG additionally notes that it has not violated the Rule, nor have individuals performing solicitation activities been personally disqualified under the Rule.

⁷ See, e.g., American International Group, Inc. SEC No-Action Letter (pub. avail. December 8, 2004); Deutsche Bank Securities Inc. SEC No-Action Letter (pub. avail. September 24, 2004); Citigroup Global Markets Inc., f/k/a Salomon Smith Barney Inc. SEC No-Action Letter (pub. avail. Oct. 31, 2003); Dougherty & Company LLC, SEC No-Action Letter (pub. avail. July 3, 2003); Prime Advisors, Inc., SEC No-Action Letter (pub. avail. Nov. 8, 2001); Legg Mason Wood Walker, Inc., SEC No-Action Letter (pub. avail. June 11, 2001); Dreyfus Corp., SEC No-Action Letter (pub. avail. March 9, 2001); Prudential Securities Inc., SEC No-Action Letter (pub. avail. Feb. 7, 2001); Tucker Anthony Inc., SEC No-Action Letter (pub. avail. Dec. 21, 2000); J.B. Hanauer & Co., SEC No-Action Letter (pub. avail. Dec. 12, 2000); Founders Asset Management LLC, SEC No-Action Letter (pub. avail. Nov. 8, 2000); Credit Suisse First Boston Corp., SEC No-Action Letter (pub. avail. Aug. 24, 2000); Janney Montgomery Scott LLC, SEC No-Action Letter (pub. avail. July 18, 2000); Aeltus Investment Management, Inc., SEC No-Action Letter (pub. avail. July 17, 2000); William R. Hough & Co., SEC No-Action Letter (pub. avail. Apr. 13, 2000); In the Matter of Certain Municipal Bond Refundings, SEC No-Action Letter (pub. avail. Apr. 13, 2000); In the Matter of Certain Market Making Activities on Nasdaq, SEC No-Action Letter (pub. avail. Jan. 11, 1999); Paine Webber, Inc., SEC No-Action Letter (pub. avail. Dec. 22, 1998); NationsBanc Investments, Inc., SEC No-Action Letter (pub. avail. May 6, 1998); Morgan Keegan & Co., Inc., SEC No-Action Letter (pub. avail. Jan. 9, 1998); Mitchell Hutchins Asset Management Inc. SEC No-Action Letter (pub. avail. Jan. 2, 1998); Merrill Lynch, Pierce, Fenner & Smith, Inc., SEC No-Action Letter (pub. avail. Aug. 7, 1997); Gruntal & Co., SEC No-Action Letter (pub. avail. July 17, 1996); Carnegie Asset Management, SEC No-Action Letter (pub. avail. July 11, 1994); Salomon Brothers Inc., SEC No-Action Letter (pub. avail. Jan. 26, 1994); BT Securities Corporation, SEC No-Action Letter (pub. avail. Mar. 30, 1992); Kidder Peabody & Co. Inc., SEC No-Action Letter (Oct. 11, 1990); First City Capital Corp., SEC No-Action Letter (pub. avail. Feb. 9, 1990); RNC Capital Management Co., SEC No-Action Letter (pub. avail. Feb. 7, 1989); and Stein Roe & Farnham, Inc., SEC No-Action Letter (pub. avail. Aug. 25, 1988).

2. To comply with the terms of the Final Judgment, including, but not limited to, the payment of disgorgement, prejudgment interest, civil or administrative penalties and fines; and

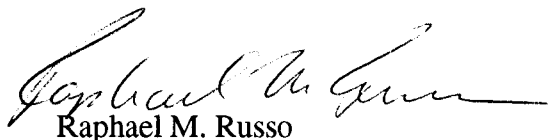
3. For ten years from the date of the entry of the Final Judgment, AIG or any investment adviser with which it has a solicitation arrangement subject to Rule 206(4)-3 will disclose the Final Judgment in a written document that is delivered to each person whom AIG solicits (a) not less than 48 hours before the person enters into a written or oral investment advisory contract with the investment adviser or (b) at the time the person enters into such a contract, if the person has the right to terminate such contract without penalty within 5 business days after entering into the contract.

CONCLUSION

We respectfully request the Staff to advise us that it will not recommend enforcement action to the Commission if an investment adviser that is required to be registered with the Commission pays AIG a cash payment for the solicitation of advisory clients, notwithstanding the Final Judgment or any related state or territory court injunction.

Please do not hesitate to call the undersigned at (212) 373-3309 regarding this request.

Sincerely,



Raphael M. Russo

cc: Ernest T. Patrikis
American International Group, Inc.