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Sent: Thursday, September 11, 2008 9:58 PM
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Subject: Lehman Brothers Asian morning update - 12 Sept

Importance: High

As you already know Lehman stock was hammered overnight and the message from NY is that there are several options which the Fed is working on to have Lehman bought out.

CLEARING

From a GTS perspective, we will operate as we did yesterday i.e. continue to monitor their clearing activity with approvals being channelled through GTS Risk with the exception of Japan, Australia and Korea, where NY have allocated the following DOL limits:

Japan: USD600MM
Korea: USD200MM
Australia: USD150MM

TRADING

There were a few different messages last night which may cause some confusion on whether or not to trade, but we have confirmed the following:

- Trading is BAU for normal sizes and trades (Note we have some pre-approved limits for Korea, the pre-approval is still valid as of today).
- Anything unusual and for larger/longer tenor/riskier trades, please raise to Greg Chin for approval and avoidance of doubt.
- All novations to be raised for approval to Greg Chin as they need to be tracked.

COMMUNICATION TO THE CLIENT

There was some uncertainty in trading yesterday; because Lehman is classified as II, the credit engine automatically suspended all trading lines. Unfortunately we had a situation yesterday whereby an RM and some sales people told Lehman that Citi had cut all their lines.

Our position to Lehman today is that we have not cut any lines although we are more carefully monitoring their activities. They understand that this may mean a little more inconvenience as we may need approvals above certain thresholds, but we are continuing to do business with them.

I would like to reiterate that dealers and RMs alike need to take responsibility for what they are telling the client, and if they are uncertain, the correct message should be that they need to check for approvals and will get back to Lehman.

We need to be mindful not to send the wrong message to the market which could spark rumours about Citi pulling their lines for Lehman. Clearly something we want to avoid at all costs at this delicate time.

APPROVALS

DOL approvals

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Thanks and regards
Kathy