

From: Durrant, Steve [sdurrant@lehman.com]
Sent: Monday, September 8, 2008 11:41 AM (GMT)
To: Lawrence, Shaun [SLawrenc@lehman.com]; Fielding, Stirling [sfieldin@lehman.com]; Seel, John [john.seel@lehman.com]; Rees, Huw [hrees@lehman.com]; Pellerani, Carlo [carlo.pellerani@lehman.com]
Cc: Shambayati, Soroosh [soroosh.shambayati@lehman.com]; Lovett-Turner, Charlie [charles.lovetturner@lehman.com]; Page, Tim [timothy.page@lehman.com]; Martin, James (Equities) [jamartin@lehman.com]; Goldband, Craig [cgoldban@lehman.com]; Danechi, Michel [michel.danechi@lehman.com]; Maynard, Ian [imaynard@lehman.com]; Gardner, Jonathan [jgardner@lehman.com]; Wells, Nicholas [nwells@lehman.com]; Nicholson, John C [JNichols@lehman.com]; Pinnock, Matthew [matthew.pinnock@lehman.com]; Igoe, Joseph [joseph.igoe@lehman.com]; Boyle, Julie [julie.boyle@lehman.com]; Grimeh, Mohammed [mgrimeh@lehman.com]; Mahoney, sara [sarajane.mahoney@lehman.com]; Seeranj, Jonathan [jonathan.seeranj@lehman.com]; Birney, Janet [jbirney@lehman.com]
Subject: RE: **URGENT - Please Read** South Africa - Collateral and funding requirements to facilitate settlement

For markets such as SA we would always look to use a local sub custodian. Using the GW solution would be sub optimal from an operational perspective e.g. cut off times etc which would impact our trading flexibility e.g. ability to execute same day trades.

The Network team will conduct the usual due diligence on the potential, viable options.

Regards
Steve

-----Original Message-----

From: Lawrence, Shaun
Sent: Monday, September 08, 2008 12:28 PM
To: Fielding, Stirling; Seel, John; Rees, Huw; Pellerani, Carlo
Cc: Shambayati, Soroosh; Lovett-Turner, Charlie; Page, Tim; Martin, James (Equities); Goldband, Craig; Danechi, Michel; Maynard, Ian; Gardner, Jonathan; Wells, Nicholas; Nicholson, John C; Pinnock, Matthew; Igoe, Joseph; Boyle, Julie; Durrant, Steve; Grimeh, Mohammed
Subject: RE: **URGENT - Please Read** South Africa - Collateral and funding requirements to facilitate settlement
Importance: High

Have we spoken to Citi regarding the Global Window -

Citi may not be in SA directly - but have capacity through the Global Window

We may also look to HSBC through there ME and Africa platform

-----Original Message-----

From: Fielding, Stirling

Sent: Monday, September 08, 2008 6:27 AM

To: Seel, John; Rees, Huw; Pellerani, Carlo

Cc: Shambayati, Soroosh; Lovett-Turner, Charlie; Page, Tim; Martin, James (Equities); Goldband, Craig; Danechi, Michel; Maynard, Ian; Gardner, Jonathan; Wells, Nicholas; Nicholson, John C; Lawrence, Shaun; Pinnock, Matthew; Igoe, Joseph; Boyle, Julie; Durrant, Steve

Subject: Re: ****URGENT - Please Read**** South Africa - Collateral and funding requirements to facilitate settlement

We are currently looking at options. South Africa isn't obvious though.

There is no guarantee the local banks will be more reliable and the two non-locals there have not shown a history of reliability with Lehman.

We are definitely looking at these options though, if not immediately, as soon as possible we will replace them.

This change takes months to put into practice regardless, so we will need to focus on what we can do immediately to minimise their exposures (which Jon alluded to earlier).

Citi isn't in SA unfortunately.

----- Original Message -----

From: Seel, John

To: Rees, Huw; Pellerani, Carlo

Cc: Shambayati, Soroosh; Lovett-Turner, Charlie; Page, Tim; Martin, James (Equities); Fielding, Stirling; Goldband, Craig; Danechi, Michel; Maynard, Ian; Gardner, Jonathan; Wells, Nicholas; Nicholson, John C; Lawrence, Shaun; Pinnock, Matthew; Igoe, Joseph; Boyle, Julie; Durrant, Steve

Sent: Mon Sep 08 11:06:40 2008

Subject: RE: ****URGENT - Please Read**** South Africa - Collateral and funding requirements to facilitate settlement

Why do we need to clear thru SBSA? If this is their attitude we should find another provider. We use Citi's clearing/settlement platform in other emerging markets; can we move to Citi in South Africa too?

From: Rees, Huw

Sent: 08 September 2008 10:42
To: Pellerani, Carlo
Cc: Shambayati, Soroosh; Lovett-Turner, Charlie; Page, Tim; Martin, James (Equities); Fielding, Stirling; Goldband, Craig; Danechi, Michel; Maynard, Ian; Gardner, Jonathan; Wells, Nicholas; Nicholson, John C; Lawrence, Shaun; Pinnock, Matthew; Igoe, Joseph; Boyle, Julie; Durrant, Steve; Seel, John
Subject: RE: ****URGENT - Please Read**** South Africa - Collateral and funding requirements to facilitate settlement

Carlo

We have had a number of conversations with our relationship contacts in South Africa about the relationship -- including the clearing and custody limits (as highlighted by Jon below), FX and Secured Financing.

At present, the biggest issue is responding to the Bank's demand, late Friday, that we deposit \$200M with them or face shut-down of clearing. We are also elevating the turndowns of Friday and this morning and will report back on this later today.

Given that the extreme reaction of Standard Bank which, we are told, is Board Level decision, we will be escalating this as far as possible.

From: Pellerani, Carlo
Sent: 08 September 2008 10:10
To: Rees, Huw
Cc: Shambayati, Soroosh; Lovett-Turner, Charlie; Page, Tim; Martin, James (Equities); Fielding, Stirling; Goldband, Craig; Danechi, Michel; Maynard, Ian; Gardner, Jonathan; Wells, Nicholas; Nicholson, John C; Lawrence, Shaun; Pinnock, Matthew
Subject: RE: ****URGENT - Please Read**** South Africa - Collateral and funding requirements to facilitate settlement

Huw, please speak to them

From: Page, Tim
Sent: 08 September 2008 09:53
To: Martin, James (Equities); Fielding, Stirling; Goldband, Craig; Danechi, Michel; Maynard, Ian; Gardner, Jonathan; Wells, Nicholas; Nicholson, John C; Lawrence, Shaun; Pinnock, Matthew; Pellerani, Carlo
Cc: Shambayati, Soroosh; Lovett-Turner, Charlie
Subject: RE: ****URGENT - Please Read**** South Africa - Collateral and funding requirements to facilitate settlement

South Africa is a key part of EM franchise, a growing business and one of the most traded currencies in the world. If we are to send out a message that we do not bother / cannot resolve this then I think the repercussions for the firm could be wider than some may consider. My seniors will be able to comment further.

Tim Page
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Lehman Brothers
Global Foreign Exchange

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From: Martin, James (Equities)
Sent: 08 September 2008 09:29
To: Fielding, Stirling; Goldband, Craig; Danechi, Michel; Maynard, Ian; Gardner, Jonathan; Wells, Nicholas; Nicholson, John C; Lawrence, Shaun; Pinnock, Matthew; Page, Tim; Pellerani, Carlo
Subject: RE: ****URGENT - Please Read**** South Africa - Collateral and funding requirements to facilitate settlement

All

I have be turned down in the broker market by Standard Bank, they were looking to borrow SA Gov bonds from me.

Clearly being rejected by your agent bank from a Credit perspective is not a great message to get out into the market.

This message will travel as the local market is small & they all talk with each other.

What steps are we taking to get this resolved .

From: Seeranj, Jonathan
Sent: Thursday, September 04, 2008 4:10 PM
To: Fielding, Stirling; Goldband, Craig; Barrio, Maria; Igoe, Joseph; Mahoney, sara; Durrant, Steve; Davis, Steve; Danechi, Michel; Maynard, Ian; Martin, James (Equities); Gardner, Jonathan; Wells, Nicholas; Duggan, Philip; McCombie-Lawrence, Alison
Subject: ****URGENT - Please Read**** South Africa - Collateral and funding requirements to facilitate settlement
Importance: High

All

Our South African Custodian (Standard Bank SA) are in the process of revising our legal documentation and funding cut offs, while also imposing a collateral requirement on us to off-set their risk to LBIE

Essentially they are asking us to pre-fund settlement on T+3 (settlement occurs on T+5) as well as posting a substantial amount (\$200m equivalent) of collateral into a separate cash account pledged to SBSA

It should be noted that Standard Bank will start to fail our trades

should we not provide funding on time (or have sufficient collateral in place) on T+3 in accordance with their revised funding cut-offs

I will set up a meeting for Tuesday at 15:30 (as this is the earliest the majority of you are free) to discuss the implications and potential internal workaround solutions

Please see Standards Bank's current proposal and revised funding timings attached

<< File: LB High-level Ops process principle.ppt >> << File: LB Equities proposal.pdf >> << File: LB Bonds proposal.pdf >>

Thanks

Jon Seeranj

* Network Management

* Ext 28893