

From: Kettle, Graham [gkettle@lehman.com]
Sent: Thursday, August 21, 2008 12:10 PM (GMT)
To: Igoe, Joseph [joseph.igoe@lehman.com]; Cornejo, Emil [emil.cornejo@lehman.com]
Cc: Fielding, Stirling [sfieldin@lehman.com]
Subject: RE: BNY Mellon Intraday

All

Please find summary of 3 area's that would cause Intraday issues for BONY.

Funding of Long balances in BONY re MTM Lehman Brothers Treasury Co BV account.

- Long balances in BONY will be as a result of New Issuance proceeds - LBTCBV funds net of New Issuance and coupons/redemptions
- LBTCBV send payment instructions to transfer long balances around midday to transfer funds out of BV account
- BONY process payment debiting our account using intraday line New issuance proceeds not credited until COB despite the fact BONY have funds in their Euroclear account.

Question - Can Bony not credit our account real time for New issuance proceeds - as there isn't an intraday exposure.

Intraday exposure is on New Issuance fails and depending on ccy we may not be able to cover same day

Funding of short balances in BONY re MTM Lehman Brothers Treasury Co BV account.

- Short balances in BONY will be as a result of Coupons and redemptions - LBTCBV funds net of New Issuance and coupons/redemptions
- LBTCBV agrees with BONY ops coupons/redemptions amounts - once agreed we fund net with any new issuances
- BONY process coupons/redemptions debiting our account during the day as per their OPS procedure - Not sure on timings that they do this.
- BONY's account at Euroclear will already have been debited the proceeds during o/n chaining process in Euroclear/Clearstream
- Intraday exposure until we fund our account.

DTC settlements in NY

- We have recently had a few redemptions in DTC where BV pay funds directly to BONY NY
- As the trade has settled in DTC there is intraday exposure until

funds are received from BV.

ECP programme with LBHIUK

- ECP matures and settles in BONY's Euroclear account DVP v LBIE
- As a result BONY's account is short and BV's account in BONY is debited
- LBHIUK transfers funds direct to BONY's agent to cover ECP maturities on value date
- Intraday exposure for BONY

Question - Do we need BONY to perform this function for ECP? Could this be done in-house? Would impact Euroclear creditline though.

If we were to settle these free v LBIE, whilst this eliminates any intraday with BONY means LBIE's Euroclear account has to be collateralised to cover trade v Client.

I think the ECP programme is the one causing most of the Intraday issues for BONY

Also - the fees as an IPA we pay BONY I assume would also cover intraday - if they are now going to ask us to prefund/collateralise will they reduce the fees?

Regards

Graham

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

From: Igoe, Joseph
Sent: Thursday, August 21, 2008 11:32 AM
To: Cornejo, Emil
Cc: Kettle, Graham; Fielding, Stirling
Subject: FW: BNY Mellon Intraday

Emil,

Before we arrange any discussion with BNY we need to do what's outlined below and have a quick internal discussion. I'll check with Graham as to whether he can get this done before the scheduled call.

Otherwise I'd suggest we postpone the call until we have time to gather information.

Also don't know if Stirling wants to take part- he's in the US, so we won't hear from him until your open.

Joseph A. Igoe
Director
Treasury- Creditor Relations
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>

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

From: Fielding, Stirling
Sent: 20 August 2008 16:42
To: Kettle, Graham; Igoe, Joseph; Cornejo, Emil
Subject: Re: BNY Mellon Intraday

That sounds good Graham - to the battle stations...

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

From: Kettle, Graham
To: Fielding, Stirling; Igoe, Joseph; Cornejo, Emil
Sent: Wed Aug 20 16:40:22 2008
Subject: RE: BNY Mellon Intraday

Yes I can put some flow charts etc on how I see it - this will also be based on assumptions as to how I think that BONY are treating various scenarios

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

From: Fielding, Stirling
Sent: Wednesday, August 20, 2008 4:23 PM
To: Igoe, Joseph; Cornejo, Emil; Kettle, Graham
Subject: Re: BNY Mellon Intraday

Before speaking directly with bony can we put a flow chart or talking points together demonstrating how we see it.

We have a lot of our agents being very worried at the moment. We need to have a good process to discuss with them.

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

From: Igoe, Joseph
To: Cornejo, Emil; Tonucci, Paolo; Rees, Huw; Fielding, Stirling; Birney, Janet; Kettle, Graham
Cc: Pellerani, Carlo; Boyle, Julie
Sent: Wed Aug 20 15:39:17 2008
Subject: RE: BNY Mellon Intraday

Speaking w. Graham Kettle, who manages these flows. Graham believes BNY needs to detail what they think is causing the exposure and justify how they get to the \$ 600M. Part of the issue may relate to EuroClear chaining and part to BNY's internal processes.

Can we arrange a meeting w. BNY London- ops- either concurrent or subsequently a conference call with BNY (credit/RM's) ? Any information they can provide on their rationale beforehand will be necessary.

Thanks.

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From: Cornejo, Emil
Sent: 20 August 2008 15:34
To: Tonucci, Paolo; Igoe, Joseph; Rees, Huw; Fielding, Stirling; Birney, Janet
Cc: Pellerani, Carlo; Boyle, Julie
Subject: RE: BNY Mellon Intraday

Working with Goldband's team in London already to obtain details.

From: Tonucci, Paolo
Sent: Wednesday, August 20, 2008 10:19 AM
To: Cornejo, Emil; Igoe, Joseph; Rees, Huw; Fielding, Stirling; Birney, Janet
Cc: Pellerani, Carlo; Boyle, Julie
Subject: RE: BNY Mellon Intraday

Can you get the details of what causes this.

I don't want to prefund this activity

From: Cornejo, Emil
Sent: 20 August 2008 10:08
To: Igoe, Joseph; Rees, Huw; Fielding, Stirling; Birney, Janet
Cc: Pellerani, Carlo; Boyle, Julie; Tonucci, Paolo
Subject: BNY Mellon Intraday

Received a call from Terry Law, Global RM. He has asked us to begin prefunding of our European CP and MTN programs to eliminate corporate trust intraday exposures. He has indicated that intraday usage can exceed \$600 M. Pls let me have your feedback on our ability to manage the cash flows to eliminate intraday exposure. Thanks