

From: Yu, Anna [anna.yu@lehman.com]
Sent: Friday, December 07, 2007 8:18:00 AM
Subject: RE: Reg Y

All

Pls see my response on this yesterday re: the concerns. Given the intense pressures that our firm's Total capital ratio is facing, this one trade alone would likely result in a 20 to 40 basis point reduction in our ratios (depending on whether the put hedging trade can be netted or not). This scenario would likely put us below the well-capitalized status. Given the size of the impact, I think we would need approvals at minimum from the Treasurer (Paolo), Financial Controller (Ed/Martin), as well as Risk Mgmt for this trade.

I can try to schedule a call asap between Paolo and Ed/Martin to discuss this trade further. Pls let me know who from Europe and Risk Mgmt should attend. Thanks

Anna

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

From: Assi, Georges
Sent: Friday, December 07, 2007 4:11 AM
To: Bowen, Gareth; Vezie, Eric
Cc: Ellis, Tony; Bridgwater, Matthew; Jackson, Marcus; Yu, Anna; Spahr, Eric; Saronne, Giancarlo; Oulik, Michal
Subject: RE: Reg Y

It is a bit disconcerting to hear about this charge at the 11th hour. When will the decision be made ?

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

From: Bowen, Gareth
Sent: Friday, December 07, 2007 9:07 AM
To: Vezie, Eric
Cc: Assi, Georges; Ellis, Tony; Bridgwater, Matthew; Jackson, Marcus; Yu, Anna; Spahr, Eric
Subject: Re: Reg Y

Reg Y is a CSE/SEC concept so is something that Paul would be much more familiar with than me - but I understand the basic principal to be an incremental 8% market risk charge on sub investment grade exposure.

Eric and Anna are the right people for the detail - but as I understand the trade there are a minority of subinvestment grade names in the portfolio - which are concentrated in the illiquid name portfolio which is hedged back via the put hedging trade.

How the put is considered I would expect is what Paul is considering - ie does it remove the need for a Reg Y charge on sub investment grade names.

Regards

Gareth

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

From: Vezie, Eric

To: Bowen, Gareth

Cc: Assi, Georges; Ellis, Tony; Bridgwater, Matthew; Jackson, Marcus

Sent: Fri Dec 07 08:15:12 2007

Subject: Reg Y

Gareth:

Paul Shotton thinks there may be a Reg Y capital charge for the RBS trade.

Do you know what this is and how its calculated?

Eric