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Sent: 4/9/2008 10:45 AM.

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Cc: Eichner, Matthew [EichnerM@SEC.GOV].

Bcc:

Subject: re: opening bid...

Sr. mgmt here has indicated that it would be good to move on this sooner rather than later. I think they are looking for some broad agreement by the CSEs on the principle of a new liquidity standard and on a general conceptual framework for measuring that, with the devilish details to be worked out later. If the probability of broad agreement is low, they'd like to know that as soon as possible.

Cutting to the chase, is the concept of a 30-day "bulletproof" liquidity survival window a reasonable starting point? (Recognizing that defining "bulletproof" makes all the difference.) If not, what alternative frameworks might work (e.g., modified ALM?)?

My sense is that there may be a temptation to dive right into the details -- e.g., coming up with the buckets and weightings for things like the match book vs firm inventory or open vs overnight or GC vs non-GC, designing a "netting" system, etc. At this point I think it makes more sense to focus on the big picture options and to figure out the pros and cons of each. The details of any given approach can be fought over later.

The other thing to consider is that the resulting framework needs to 'backtest' well against Bear, for substantive reasons as well as the obvious political ones.

If possible perhaps we can chat about this on Friday?