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cc: David A. Weisbrod/JPMCHASE@JPMCHASE
Subject: Tri-Party Repos - Next Steps ?

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01:19 PM

Chris,

When you have a chance, I would like to follow up on a few tri-party repo questions. I am copying David to keep him in the loop.

I spoke to Ed Corral this morning about the unwind and the PDCF.

We expect Lehman to have to rely on the PDCF for all its tri-party repos.

The PDCF now accepts all securities used in tri-party repos so nothing will be restricted. On the other hand, the PDCF requires a lot more margin and the Fed set a Lehman-specific PDCF schedule (below) with higher margin than for other dealers.

All Dealers (excl. Lehman) New PDCF Schedule



FRBNY PDCF and TSLF 09-14-08.pdf

Lehman-Only New PDCF Schedule



FRBNY PDCF- Lehman only 09-14-08.pdf

The key question is how that incremental margin will be covered since the tri-party repo collateral alone will be insufficient to cover our intraday financing. We may need to use our extra collateral (securities we have held for a while and cash we got on Friday) to meet the PDCF margin requirements overnight.

Ed's team is completing the new PDCF run and we will touch base when the figures are available.

Have you had any discussion with the Fed or with Lehman about this yesterday ?

I also feel that we need to discuss the Lehman self-priced securities that I circulated yesterday. we were uncomfortable with this before and now with Lehman in a semi-liquidation mode these prices are going to be even less reliable. Should we prioritize the Gifford Foing prices that could solve this ?

Finally, I also wanted to follow up on **Redacted** and the other dealers. In one of the multiple calls over the week end, I heard Jamie stress very strongly that we should have increased our margin with all dealers a long time ago. is anyone talking to **Redacted** and the other dealers about it ?

Thanks.

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