

Cc: Fleming, Dan (TSY) [dfleming@lehman.com]
To: Tonucci, Paolo [paolo.tonucci@lehman.com]; Pellerani, Carlo [carlo.pellerani@lehman.com]
From: Fielding, Stirling [sfieldin@lehman.com]
Sent: Thur 8/21/2008 8:20:54 PM
Subject: RE: Bank of America

Paolo, if you are going to include this deposit as part of the liquidity profile and it doesn't impact other models we should consider being prudent and starting with a larger deposit.

The main risk is that it becomes evident to the market that we have liquidity issues. Without intraday liquidity our clients, counterparts and agent banks will all be receiving payments much later than usual. Many of them in the hour before cut-off.

It also increases the risk that some large payments are released too late in the day and fail, either to an agent bank or to a client.

Measuring the exact amount of intraday we will need each day is not particularly achievable. Right now, everyday we hit the US\$1bn limit, but we believe we can manage that lower. Our assessment, based on flows we have been funding over the last few months is US\$500mm.

We are in the process of moving the business from BoA to Citibank (assuming this doesn't kill the Asia operating model). So this will hopefully be a short term requirement.

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

From: Tonucci, Paolo
Sent: Thursday, August 21, 2008 7:20 PM
To: Fielding, Stirling; Pellerani, Carlo
Cc: Rees, Huw; Igoe, Joseph; Cornejo, Emil; Fleming, Dan (TSY); Jones, Craig L; Birney, Janet; Boyle, Julie; Goldband, Craig; Engel, Steven J; Ito, Gregory
Subject: RE: Bank of America

If we do this for Monday, we need to ensure that we work out what is really needed - and don't want to do this by stealth with overfunding the JPY accounts

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

From: Fielding, Stirling
Sent: 21 August 2008 14:12
To: Tonucci, Paolo; Pellerani, Carlo
Cc: Rees, Huw; Igoe, Joseph; Cornejo, Emil; Fleming, Dan (TSY); Jones, Craig L; Birney, Janet; Boyle, Julie; Goldband, Craig; Engel, Steven J; Ito, Gregory
Subject: RE: Bank of America

Paolo, Carlo, I think need a deposit of US\$500mm. BoA are cutting intraday across the entire Lehman entity spectrum. This will include LBHIUK USD, LBIE seg USD and LBHIUK JPY as well as smaller accounts. We

move over \$10bn through these accounts, we need some flexibility intraday. We will manage these accounts closely and adjust that notional down if possible.

BoA are being stubbornly unsupportive, not the slightest flexibility on their part. They informed us there was nothing at all they could do on Monday to support the client franchise if the deposit wasn't in place.

Janet and I propose moving to Citibank immediately for the LBHIUK USD account. We will work with Greg on options around the JPY account.

Greg, you should probably fund to be long for Monday opening on the account to be on the safe side.

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

From: Tonucci, Paolo
Sent: Thursday, August 21, 2008 3:41 PM
To: Ito, Gregory
Cc: Rees, Huw; Igoe, Joseph; Fielding, Stirling; Kishimoto, Tatsushi; Ishida, Chris; Doerich, Robert; Pellerani, Carlo; Cornejo, Emil; Fleming, Dan (TSY); Jones, Craig L; Birney, Janet; Boyle, Julie
Subject: RE: Bank of America

Ok. I think we will have to place a deposit to that amount.

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

From: Ito, Gregory
Sent: 21 August 2008 08:23
To: Tonucci, Paolo
Cc: Rees, Huw; Igoe, Joseph; Fielding, Stirling; Kishimoto, Tatsushi; Ishida, Chris; Doerich, Robert; Pellerani, Carlo; Cornejo, Emil; Fleming, Dan (TSY); Jones, Craig L; Birney, Janet; Boyle, Julie
Subject: RE: Bank of America

Generally the late in the day requirement is less than \$200Mio.

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

From: Tonucci, Paolo
Sent: Thursday, August 21, 2008 9:02 PM
To: Ito, Gregory; Pellerani, Carlo; Cornejo, Emil; Fleming, Dan (TSY); Jones, Craig L; Birney, Janet; Boyle, Julie
Cc: Rees, Huw; Igoe, Joseph; Fielding, Stirling; Kishimoto, Tatsushi; Ishida, Chris; Doerich, Robert
Subject: Re: Bank of America

What is the size of this so we can cover with usd deposit?

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

From: Ito, Gregory
To: Pellerani, Carlo; Comejo, Emil; Fleming, Dan (TSY); Jones, Craig L; Birney, Janet; Boyle, Julie
Cc: Tonucci, Paolo; Rees, Huw; Igoe, Joseph; Fielding, Stirling; Kishimoto, Tatsushi; Ishida, Chris; Doerich, Robert
Sent: Thu Aug 21 07:54:48 2008
Subject: RE: Bank of America

BoA are our main bank for covering O/N JPY balances and allow us to do very late in the day O/N FX swaps to source JPY to cover fails and allow us to move funds from offshore (LBAH) to onshore (LBJ) outside of the normal settlements process. All other banks have cut-off times of around 11am for same day FX trades (except for the purposes of covering short balances with them i.e. not to cover a short balance at the BOJ). Without their support it is likely we would have to maintain a buffer of JPY as we are unable to borrow from the O/N call market in a reliable way.

From: Pellerani, Carlo
Sent: Thursday, August 21, 2008 5:08 PM
To: Comejo, Emil; Fleming, Dan (TSY); Jones, Craig L; Birney, Janet; Boyle, Julie
Cc: Tonucci, Paolo; Rees, Huw; Igoe, Joseph; Fielding, Stirling; Ito, Gregory; Kishimoto, Tatsushi
Subject: RE: Bank of America

Feedback from Asia is that we have to be very cautious with this as BofA is important from both Treasury and business perspective in Japan, India, etc. Please liaise with Greg to make sure we take this into accounts for our plans, timing, etc

Thx

From: Comejo, Emil
Sent: 20 August 2008 23:46
To: Fleming, Dan (TSY); Jones, Craig L; Birney, Janet; Boyle, Julie
Cc: Tonucci, Paolo; Pellerani, Carlo; Rees, Huw; Igoe, Joseph; Fielding, Stirling
Subject: Bank of America

Paolo and I spoke to Jim Dever this evening. He delivered the message that our intraday line of \$1b will go to \$0 on Monday in lieu of a deposit. We will need to pre-fund all activity. Paolo has also decided to move all operating business from Bof A over the next month. I will set up a conference call tomorrow am so we can coordinate.