

From: Mauerstein, Michael [CMB-GBKG] [mm09211@imcnam.ssmb.com]
Sent: Tuesday, June 17, 2008 11:23 AM
To: Fontana, Thomas [CMB-RISK]; Foskett, Christopher M [CMB-GBKG]
Subject: Talking P0ints

Are these the points we want to convey?

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Is Citi re-thinking our approach to the clearing business, how we quantify and manage intra-day exposures?

- Clearing is a core business for us.

- We take huge intra-day exposure to the large broker dealers; huge in absolute numbers (\$20-\$40 billion to each company) and huge relative to Citi's equity.

- We never want to be in a position to disrupt clearing due to increased noise in the market; to create systematic risk.

- However, we need to be in a position to protect Citi in the event that market noise becomes a market disruption, for a particular client or generally.

- Given the growth and expansion of the clearing business - by geography, CLS etc. We are working to quantify the risk by product and by country, for example, netting RVPs and DVPs to look at net exposures, perfected security interests etc. - similar to what exchanges and clearinghouses might do.

- Is Citi re-think our approach to Lehman, and the intra-day exposures we take to clear Lehman's business?

- Do our decisions to more closely manage intraday clearing limits, and ask for the cash deposit, reflect a change?

- We extend \$20 billion of intra-day clearing lines.

- For example, in Lehman's US cash clearing accounts, on a typical day, we allocate a \$4 billion intra-day overdraft limit, and we will utilize that limit. Similarly with CLS, where - for example - we pay Yen before we receive US\$.

- On the day that Lehman announced management changes and pre-announced Q2, there was significant market noise: stock price down, CDS spreads were wider, speculation about the firm's future.

- Citi was confident about the business and financial management of the firm - thank you for the information you provide. We continued to clear.

- However, given what happened to Bear and others, we needed to be prepared to protect Citi in the event that market noise turned to market disruption. So we more tightly managed the intra-day exposures, without disrupting payments and therefore we did NOT signal an adverse view to the market.

- We also asked for the cash deposit. In our view, Lehman has over \$40 billion liquidity pool, and felt that it would help us if Lehman kept some of that on deposit with us.