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Sent: Monday, October 1, 2007 8:30 PM (GMT)
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Subject: Risk Meeting Followup

Chris just a few points from this mornings meeting

* Impact of including our liabilities in RA calculations, Joe Li is coordinating with Colin Telmer on population so we can run a staging version

* Jeremy's question on correlation assumptions: I believe we don't make many assumptions about correlation between regions where we have good TS data. We may have some in RE as the data is much sparser than in other trading biz. Also we do have an assumption for commodities vs the rest of the firm since we don't just aggregate the p/l vectors as we do for most other parts of the firm. Manhua/Mark, can you outline where we have made correlation assumptions between regions or business? The bigger assumption may be the 50% correlation between Market Risk and Event Risk

* Hedging/Business mitigants to help bring down RA - not sure how much there is to do here, I think GCP has already spent a lot of time looking into this, Joe can give some further color but its unlikely to have large impact without significant costs. RE has hedged market risk in loan pipeline but nothing really on bridge equity and again not sure if there is a magic bullet anywhere. Equities could simply reduce their positions but as you saw in the email trail, pat is more likely to want to add risk given his p/l recently. We can also try to see what the future RA looks like if we project out to end of Q4 for HY, RE and IMD to see if their current assumed selldowns take place

* Our historical simulation VaR method vs GS, Manhua/Mark I think you have looked into this before, do they use same 4 years and exponential weighting or different methodology from us

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