

From: Siegmund, Thomas <tsiegmun@lehman.com>
Sent: Friday, May 2, 2008 11:21 PM (GMT)
To: Amin, Kaushik <kamin@lehman.com>
Subject: Re: REPO 105 Usage

Both have a point w-o acknowledging each other's:

- we need someone to co-ordinate to make sure, that a 105'ed position is not sold out by the trader (then, we'd have to reverse the position back in)
- internal accounting set rules on what paper can be 105'ed ..in the past, we had to use the most liquid paper to achieve meaningful impact and in fact vere often were just constraint by not having enough 105 eligible paper.
(Re eligible paper: the true sale opinion is linked to liquidity and quality of paper- the lower liquidity and quality, the deeper the discount would have to be to and consequently the more expensive the exercise..of course the economics for us have moved and shd have widened the scope of underlyingd for this exercise)

Here in Tok and as well when I was in london I found the most senior repo guy is a good spot for co-ordination

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

From: Amin, Kaushik
To: Siegmund, Thomas
Sent: Sat May 03 03:33:22 2008
Subject: Fw: REPO 105 Usage

Fyi

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

From: Higgins, Kieran
To: Michaels, Jeff
Cc: Amin, Kaushik; Eickbush, Gregory; Cosaitis, Mark
Sent: Fri May 02 14:04:48 2008
Subject: Re: REPO 105 Usage

Hey jeff, here are some of the main points/issues on 105:

- 1 cumulative liquidity is not an issue, liquidity is more a repo tenor issue, ie there is a real market constraint on 2d repo 105 but if you spread tenors liquidity increases a lot
2. In light of this (and the firms max ratio of q end to month avg) we started to 105 irp balance sheet several weeks ago for q end (this has a real cost though)
3. We start with posns that will be defn held over q end and work down the liquidity spectrum, in general for the last few days pre quarter end we don't do much 105 if we can sell the bonds instead.

..On the specific issue of index replication, the cash bonds are 105'd for full term (as we usually buy cash) of the swap so they don't interfere with the 105 liquidity of the cash business'.

Mark Cosatis works with the repo desk to coordinate q end balance sheet.

Hope this makes sense, k

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

From: Michaels, Jeff
To: Higgins, Kieran
Cc: Amin, Kaushik; Eickbush, Gregory
Sent: Fri May 02 18:28:32 2008
Subject: REPO 105 Usage

Kieran

From what I can determine, all the traders in London go directly to sales for Repo 105. Therefore, it doesn't seem like anyone is judging the profitability/liquidity of the underlying assets that are being Repo 105'd, but rather it is being allocated

using the FIFO method. Given that 105 is a limited commodity, we should have a gatekeeper and make sure it is being used efficiently. We certainly do not want liquid treasury or short dated instruments being 105'd.

I am not sure who the proper person is in London, but I suggest we appoint someone that can think strategically about the usage so we don't wind up with the wrong assets being 105'd. In the US we are only using it for off-the-run agencies, TVA, AID, and other more illiquid non-treasuries. I have asked Alvaro to pare back his usage from last quarter for TIPS, but it seems like we are simply shifting the TIPS usage from Alvaro to Gabriel Buteler.

- Jeff

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

From: Mucida, Alvaro
Sent: Friday, May 02, 2008 11:56 AM
To: Michaels, Jeff
Subject: FW: TRS

Jeff, somehow the London guys are still quoting these total return swaps on inflation bond indices. I suppose that access to repo 105 is divided between London and New York by senior management so I guess I'll just let Gabriel handle the quotes on the TIPS index.

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

From: Buteler, Gabriel
Sent: 02 May 2008 11:43
To: Mucida, Alvaro
Cc: Debnath, Ricky
Subject: Re: TRS

Yes we are... The repo desk is 105ing our positions when combined with the rest of the floor.

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

From: Mucida, Alvaro
To: Buteler, Gabriel
Cc: Debnath, Ricky
Sent: Fri May 02 16:41:23 2008
Subject: TRS

Are you guys still quoting TRS? The pressure for balance sheet here is enormous and I was told that even 105 was scarce right now, so I'm assuming we are not quoting these trades? is that right?