

From: Nicholas J TAYLOR
Sent: Wednesday, August 27, 2008 8:35 AM
To: Guy BRIDGE
Cc: Joseph Travaglione; Martin NICHOLSON; Patricia GOMES; Christine COE
Subject: Re: Project Milan - 27 - 08 2008

Guy

Thanks. Suggest a conf call before your call. What time works?

Re Household, I believe we should tear it up. Craig is on leave (or at least he was last week) so I spoke with his boss Bill Kesler. He agrees but is checking the legal position. Will revert to me this morning.

Suggest you copy Christine in on all things HSS related. I have advised her of the Indian position which is good news.

Regards

Nick

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08/27/2008 08:21 AM
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To
Nicholas J TAYLOR/hbus/HBUS/HSBC@HSBC
cc
Joseph Travaglione/HBUS/HSBC@HSBC02, Martin NICHOLSON/HBEU/HSBC@HSBC, Patricia GOMES/IBH CIB/HBAP/HSBC@HSBC
Subject
Re: Project Milan - 27 - 08 2008
Entity
HSBC Bank plc - HBEU

I did not discuss this point hedging with anyone just made recommendation in my paper to request collateral for the German entity.

To update - I can advise from this AM in London.

Milan has as conf call in an hour to discuss our request of limits in detail having done their initial research though they don't expect to revert with outline limits until close play UK time.

I have noted I will send them the Cash Deed doc draft today when I have the relevant account number. I mention it may be necessary to have some form of cash collateral as soon as possible but it is a tight deadline to complete before this W/e.

Milan advised that they would wish us to consider cancelling their recent to HSBC Finance. Your guidance would be helpful here but I am happy to speak with Craig as necessary.

They are intending to advise HSBC India locally they are bring their futures and options clearing in that market through HSBC back in House. This has been on the cards a while and has just moved up the priority list.

We had a request to increase unsecured CREST limits as they had pressure on Headroom and therefore settlement. We increased this by GBP 50m which seemed to resolve the matter. I would intend to use the limits that were previously marked and still approved in CARM for Banks dynamically reducing the line back to zero post CREST day. i.e up to say GBP 400m (not GBP479m) without having to seek additional approvals. I have asked Milan to provide details of flows each time they request an increase so they become more efficient but they can't just ask for Unsecured limits to be reinstated as they did this morning. Are you are comfortable with this approach?

Happy to have conf call later if required.

rgds Guy

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Subject

Re: Project Milan - 26 - 08 2008

Entity

HSBC Bank plc - MDBK

Who has decided/agreed to hedge?

Joseph Travaglione/HBUS/HSBC@HSBC02

HBUS

08/26/2008 06:06 PM

Mail Size: 10633

To

Martin NICHOLSON/HBEU/HSBC@HSBC

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Guy BRIDGE/HBEU/HSBC@HSBC, Nicholas J TAYLOR/hbus/HBUS/HSBC@HSBC, Patricia GOMES/IBH CIB/HBAP/HSBC@HSBC

Subject

Re: Project Milan - 26 - 08 2008

Entity

HSBC Bank plc - MDBK

Martin, thanks for note and comments. One note from our side, it has been decided to hedge (in exit strategy paper) the German Bank RCF and the remaining M Holding company 3-year RCF. Your team working with the UK Portfolio management will need to commence hedging. Cheers, Jt

USA Additions to Insiders List: We will add.

Jim Howden

Tony Belo

Joseph Travaglione
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HSBC Corporate & Institutional Bank
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Martin NICHOLSON/HBEU/HSBC@HSBC
08/26/2008 05:31 PM

To
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Subject
Re: Project Milan - 26 - 08 2008

Guy

Thanks for this. I have a couple of comments - they may be have already been covered by you and nick last week

- 1 - can we really assign the mmk line ? - it has been cancelled in any case
- 2 - I think we should consider hedging the 50m RCF (and perhaps the fronting risk) - agree with your comments re the issues collateralising this exposure
- 3 - re the cash deed - is this legal's recommendation vs using bankers right on set off ? Ie hold funds on current account
- 4 the 20% cash cover figure - does that include settlement ? I would have thought that we should ask for nearer 100% for that.

Again apologies if this has all been discussed already

Also can you add tony to the insiders list and keep him briefed - I'm sure you are doing that already

Thanks again for your work on this

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

From: Guy BRIDGE
Sent: 26/08/2008 18:14 GDT
To: Nicholas J TAYLOR
Cc: Joseph Travaglione/HBUS/HSBC@HSBC02; Martin NICHOLSON; Patricia GOMES
Subject: Project Milan - 26 - 08 2008

To note:

Insider list now established with myself and Joe as Editors. Compliance referred to but not included as no insider information given and no conflict check is necessary.

Attached is my initial draft of the Europe Template but I need to work on ensuring all limits are accurate - their have been some changes.

A collateral Account should be established by Wednesday close and I expect Milans initial comment on PSL limits as to what they feel is required by end day as well. I would suggest we aim to then request 20% cash cover for lines in place excluding the Secured Crest facilities. We can turn round the Cash Deed very quickly - matter of Hours but I suspect Milan will not complete by end week. I should add if the collateral is not cash it will take longer to produce and for their lawyers to agree.

Bearing in mind Labor Day if would be ideal if we can get Milan to deposit a collateral sum by close Friday but this is looking challenging.

No update re CNC but I will speak with Chris Coe again tomorrow.

[attachment "Milan Europe Strategy by Business Line.doc" deleted by Martin NICHOLSON/HBEU/HSBC]

rgds

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