this is not sounding good at all...

----- Forwarded by Tim P Clark/BOARD/FRS on 06/20/2008 08:57 AM -----

Kirsten J. Harlow
Federal Reserve Bank of New York
(212) 720-2912
kirsten.harlow@ny.frb.org

ON-SITE TEAMS REPORT

Counterparty Credit Issues for Secured and Unsecured Financing/Other

Lehman: Acknowledged trading issues with four financial institutions: **Natixis** (eliminating all activity with Lehman), **Santander**, **Wespac**, and **Commonwealth Bank of Australia**.

Merrill: Since June 13 the total repo book declined by $39 billion to $196 billion and will continue to lower $11 billion more going into quarter end on June 27. Management intends on reducing the size of its balance sheet usage through customer matched repo/reverse repo activity.

Parent Company Liquidity Pool

Merrill: Operating cash and liquidity at the holding company increased by $5 billion closing at $66.1 billion on Wednesday. The major inflows consisted of $1.8 billion from domestic stock loan, $1.1 billion from equity triparty, $900 million from ML Pro (unwinding of short positions), $ 500 million from corporate services triparty and $500 million back from prior day government fails.

IB_Financing_Liquidity_Master_New.pdf

Comments Submitted by CPC Teams

JPMC: Some large pension funds and some smaller Asian central banks are specifying (or tightening the standards on) what classes of assets they will accept. Some are switching to repo only, and away from ABCP and Time Deposits. JPMC indicated that it will indemnify against losses on some of these counterparties (the names which are coming up in the market as generating the most concerns are Lehman and Merrill). Despite JPMC's indemnification, certain investors are still refusing to deal with these seemingly weak counterparties.

Citi: has decided to reduce total clearing/settlement lines to **Lehman** from approximately $20 billion to around $10-12 billion. Further, **Lehman** has agreed to place $2 billion cash with Citi, not as collateral but in case of difficulties. The cash could also be used to fund any intra-day credit extensions. It should be noted that Citi is Lehman's largest clearer outside the United States. Tom said this approach will **also be applied to the other 3 major Broker/Dealers.**

# KEY METRICS: PRIMARY DEALER FINANCING AND LIQUIDITY
June 19, 2008

Preliminary

The first two columns below present secured and unsecured financing that did not roll on the day noted, as well as any reductions in credit lines, as reported to the on site FRBNY staff. A dash in the secured and unsecured columns indicates that there were no counterparty turndowns on that date. The third column presents maturity of the total outstanding CP, while the fourth column displays the parent company liquidity pool.

LEHMAN

($ in billions)	Secured Financing — Did not roll	Unsecured Financing — Did not roll	CP: O/N as a % of Total	Parent Co. Liquidity Pool (EOD)
June 6	-	0 5	41%	42 4
June 9	1 7	1 3	33%	40 6
June 10	-	0 1	37%	41 8
June 11	0 3	-	37%	40 4
June 12	0 4	-	42%	48 4
June 13	3 0	1 7	21%	45 7
June 16			25%	42 6
June 17			18%	41 5
June 18	9 0	0 1	31%	43 1

Lehman Parent Liquidity Trends
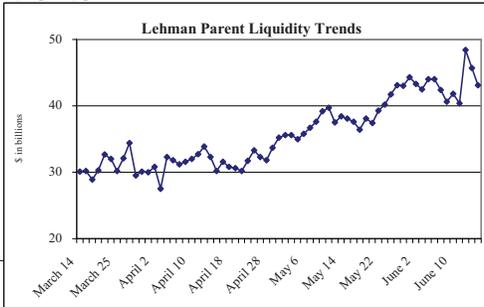
GOLDMAN SACHS

($ in billions)	Secured Financing — Did not roll	Unsecured Financing — Did not roll	CP WAM	Parent Co. Liquidity Pool (EOD)
June 5	-	0 1	31	103 5
June 6	-	0 4	30	99 0
June 9	-	-	31	102 9
June 10	1 3	-	30	96 1
June 11	0 8	-	30	96 2
June 12	-	-	30	96 7
June 13	-	1 0	32	96 3
June 16	-	-	32	93 3
June 17	-	2 5	32	91 2
June 18	-	0 2		98 7

Goldman Parent Liquidity Trends
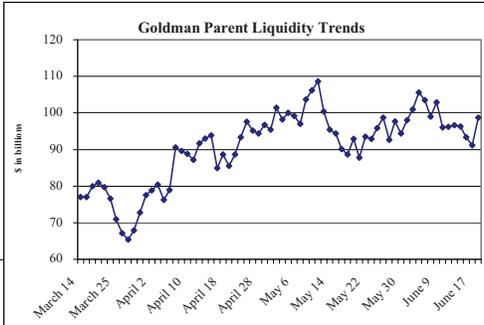
MORGAN STANLEY

($ in billions)	Secured Financing — Did not roll	Unsecured Financing — Did not roll	CP WAM	Parent Co. Liquidity Pool (EOD)
June 6	-	-	63	85 3
June 9	-	-	61	90 1
June 10	-	-	60	80 7
June 11	-	-	60	83 1
June 12	-	-	59	81 2
June 13	-	-	62	80 7
June 16	-	-	62	80 7
June 17	-	-	61	79 1
June 18	-	-	63	77 6

Morgan Parent Liquidity Trend
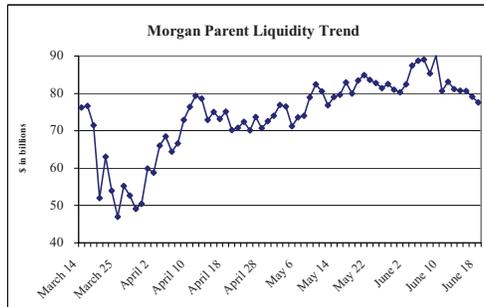
MERRILL LYNCH

($ in billions)	Secured Financing — Did not roll	Unsecured Financing — Did not roll	Parent Co. Liquidity Pool (EOD)
June 6	-	-	66 2
June 9	-	0 3	66 0
June 10	-	0 2	65 1
June 11	-	0 0	64 9
June 12	-	0 4	66 7
June 13	-	-	66 9
June 16	-	-	62 9
June 17	-	-	63 6
June 18	-	-	66 1

Merrill Parent Liquidity Trend
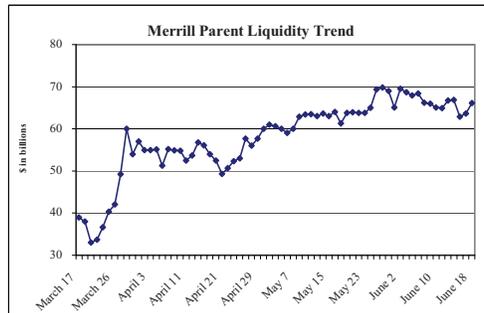
COMMERCIAL PAPER OUTSTANDING

($ in billions)	Lehman	Morgan	Merrill*	Goldman
June 6	8 2	11 8		1 4
June 9	7 2	11 6	3 8	1 4
June 10	7 5	11 6		1 4
June 11	7 8	11 6		1 4
June 12	7 9	11 6		1 4
June 13	6 1	11 1	3 1	1 4
June 16	5 6	10 8		1 7
June 17	5 6	10 9		1 7
June 18	6 5	10 8		
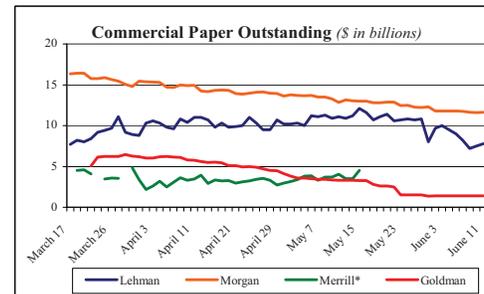
* Only represents CP outstanding for the next two weeks

Commercial Paper Outstanding *($ in billions)*

Lehman — Morgan — Merrill* — Goldman

Source: Estimated from IB reports and onsite team updates; data supporting secured / unsecured may be incomplete.