

STATE OF SOUTH CAROLINA )  
 )  
 COUNTY OF RICHLAND )  
 )  
 )  
**THE STATE TREASURER OF** )  
**THE STATE OF SOUTH CAROLINA** )  
 )  
 Plaintiff, )  
 )  
 )  
 vs. )  
 )  
**THE BANK OF NEW YORK MELLON** )  
**CORPORATION and THE BANK OF** )  
**NEW YORK MELLON, f/k/a THE** )  
**BANK OF NEW YORK,** )  
 )  
 Defendants. )  
 )  
 \_\_\_\_\_ )

IN THE COURT OF COMMON PLEAS  
 FOR THE FIFTH JUDICIAL CIRCUIT

Case No. \_\_\_\_\_

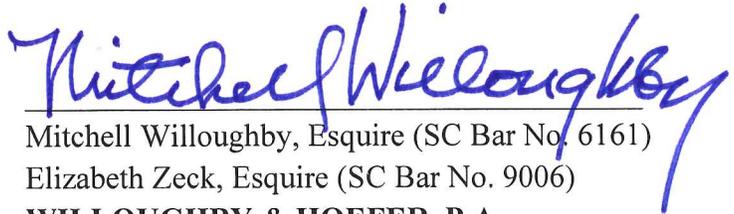
**PLAINTIFF’S FIRST SET  
 OF INTERROGATORIES TO  
 DEFENDANTS**

**TO: DEFENDANTS THE BANK OF NEW YORK MELLON CORPORATION AND  
 THE BANK OF NEW YORK MELLON, F/K/A THE BANK OF NEW YORK**

Plaintiff the State Treasurer of the State of South Carolina (“Plaintiff” or “State Treasurer”), through undersigned counsel, hereby requires the Defendants, The Bank of New York Mellon Corporation and The Bank of New York Mellon, f/k/a The Bank of New York (collectively, “Defendants”), to answer under oath the Interrogatories hereinafter set forth within thirty (30) days after the service thereof in accordance with Rule 33, South Carolina Rules of Civil Procedure. These interrogatories shall be deemed continuing, and if complete answers to any of them are not presently available, and the information becomes available before trial, supplemental answers are required at such time as this information becomes available.

[SIGNATURE PAGE FOLLOWS]

Respectfully submitted,



Mitchell Willoughby, Esquire (SC Bar No. 6161)

Elizabeth Zeck, Esquire (SC Bar No. 9006)

**WILLOUGHBY & HOEFER, P.A.**

930 Richland Street

Post Office Box 8416

Columbia, SC 29202-8416

(803) 252-3300

[mwilloughby@willoughbyhoefer.com](mailto:mwilloughby@willoughbyhoefer.com)

[ezeck@willoughbyhoefer.com](mailto:ezeck@willoughbyhoefer.com)



Michael H. Montgomery, Esquire (SC Bar No. 4034)

**MONTGOMERY WILLARD, LLC**

1002 Calhoun Street

P.O. Box 11886

Columbia, SC 29211-1886

(803) 779-3500

[mhm@montgomerywillard.com](mailto:mhm@montgomerywillard.com)

Attorneys for the State Treasurer  
of the State of South Carolina

January 26, 2011  
Columbia, South Carolina

## INSTRUCTIONS

### **IT IS HEREIN REQUESTED:**

1. That all information shall be provided to the undersigned in the format as requested.
2. That all responses to the below interrogatories shall be labeled using the same numbers as used herein.
3. That if the requested information is found in other places or in other exhibits, reference not be made to those, but, instead, that the information be reproduced and placed in the responses to these interrogatories in the appropriate sequence.
4. That any inquiries or communication relating to questions concerning clarifications of the data requested below be directed to the undersigned.
5. That all exhibits be reduced to an 8.5" x 11" format.
6. That each Interrogatory be reproduced at the beginning of the response thereto.
7. That Defendants provide the undersigned with responses to these Interrogatories as soon as possible but not later than thirty (30) days from the date of service hereof.
8. If the response to any Interrogatory is that the information requested is not currently available, state when the information requested will become available.
9. These Interrogatories shall be deemed continuing so as to require Defendants to supplement or amend its responses as any additional information becomes available up to and through the date of hearing.
10. If a privilege not to answer an Interrogatory is claimed, identify each matter as to which the privilege is claimed, the nature of the privilege, and the legal and factual basis for each such claim.
11. If a refusal to answer an Interrogatory is based on the grounds that same would be unduly burdensome, identify the number and nature of documents needed to be searched, the location of the documents, and the number of man hours and costs required to conduct the search.
12. Answer each Interrogatory on the basis of the entire knowledge of Defendants, including information in the possession of Defendants, its officers, directors, employees, consultants, representatives, agents, attorneys, subsidiaries, and subcontractors.
13. If any Interrogatory cannot be answered in full, answer to the extent possible and specify the reasons for Defendants' inability to answer.

## DEFINITIONS

1. “Defendants” and/or “BNY Mellon” shall mean The Bank of New York Mellon Corporation and/or The Bank of New York Mellon, f/k/a The Bank of New York or, where appropriate, subsidiaries and/or affiliates of BNY Mellon, together with all of their employees, agents, consultants, attorneys, experts and all other persons acting on their behalf.
2. Please construe “and” as well as “or” either conjunctively or disjunctively as necessary to bring within the scope of these interrogatories any information which might otherwise be construed outside their scope.
3. “Document” and “documents” shall mean all written, recorded or graphic matters whatsoever and all non-identical copies thereof, including but not limited to papers, books, records, letters, photographs, correspondence, communications, telegrams, cables, telex messages, memoranda, notes, notations, work papers, transcripts, minutes, reports, recordings of telephone or other conversations, statements, summaries, opinions, studies, analyses, evaluations, contracts, agreements, jotting, agendas, bulletins, notices, announcements, advertisements, guidelines, charts, manuals, brochures, publications, schedules, price lists, subscription lists, customer lists, journals, statistical reports, desk calendars, appointment books, diaries, lists, tabulations, newsletters, drafts, proofs, galleys, or other prepublication forms of materials, telephone lists or indexes, rolodexes, computer printouts, data processing program libraries, data processing input and outputs, microfilm, microfiches, CD-ROMs, books of account, records or invoices reflecting business operations, all records kept by electronic, photographic or mechanical means, any notes or drafts relating to any of the foregoing, and any other documents as defined in Rule 34 of the South Carolina Rules of Procedure of any kind in your possession, custody or control or to which you have access or know to exist.
4. “Identify” or “identity” used with reference to an individual means to state his or her full name, present or last known address, present or last known position and business affiliation, and employer, title, and position at the time in question. If the person was an officer, director, trustee, or employee of Defendants, also state the job title and areas of responsibility.
5. “Identify” or “identity” used with reference to a corporation, agency or other entity, means to state its full name, and present or last known address.
6. “Identify” or “identity” used with reference to a writing means to state the date, author, type of document (e.g., letter, memorandum, telegram, chart, note, application, etc.) or other means of identification, and its present location or custodian. If any such document is no longer in Defendants’ possession or subject to its control, state the disposition of that document.
7. “Identify” or “identity” used with reference to a security means to state the name, CUSIP number, ticker symbol or other commonly used abbreviation or identifier, issuer, and date

of issue of the security.

8. "Address" means home address, mailing address, and business address.
9. "Complaint" means the Original Complaint filed in the matter styled The State Treasurer of South Carolina v. The Bank of New York Mellon Corporation and The Bank of New York Mellon, f/k/a The Bank of New York, Civil Action No. \_\_\_\_\_, now pending in the Circuit Court for the County of Richland, South Carolina, and any amended complaints that may be filed therein.
10. "The State Treasurer" shall mean the State Treasurer of the State of South Carolina and including where appropriate, all governmental agencies (including but not limited to the South Carolina Retirement System) for which BNY Mellon accepted funds for management in connection with the securities lending program, together with all of their employees, agents, consultants, attorneys, experts and all other persons acting on their behalf.
11. "SLA" shall mean the Securities Lending Agreement and Guaranty, executed on or about March 24, 2000 between the State Treasurer and BNY Mellon.
12. "Lehman" shall refer to Lehman Brothers Holdings, Inc. or any of its subsidiaries and/or affiliates.

## INTERROGATORIES

1. Identify the persons known to the Defendants or their counsel to be witnesses concerning the facts of the case and indicate whether or not written or recorded statements have been taken from the witnesses and indicate who has possession of such statements.
  
2. Set forth a list of photographs, plats, sketches or other prepared documents in possession of the party that relate to any potential claim or defense in this case.
  
3. Set forth the names and addresses of all insurance companies which have liability insurance coverage relating to the claim and set forth the number or numbers of the policies involved and the amount or amounts of liability coverage provided in each policy.
  
4. Identify any expert witnesses whom Defendants propose to use as a witness at the trial of the case.
  
5. For each person known to the Defendants or counsel to be a witness concerning the facts of the case, set forth either a summary sufficient to inform the Plaintiff of the important facts known to or observed by such witness, or provide a copy of any written or recorded statements taken from such witnesses.
  
6. If you contend that any Defendant is improperly identified, give the proper identification and state whether counsel will accept service of an amended summons and pleading reflecting the correct information.
  
7. Identify every individual and/or entity who provided “asset servicing” to the State Treasurer in connection with investments made under the SLA.

8. Identify every individual and/or entity who was involved in any way in choosing investments to be made and/or in monitoring the performance of investments made under the SLA in the State Treasurer's accounts.
9. Identify each and every legal action (whether civil, criminal, administrative or enforcement) or arbitration proceeding relating to any securities lending program operated by you to which you have been, or are, a party from 2001 to the present. A complete answer to this interrogatory should include the caption of the case, the case number, the forum in which the case was filed, the substance of the disputes raised therein, and the disposition and/or status of the case.
10. For each mortgage backed security purchased by you for the State Treasurer under the SLA (including but not limited to those listed on Exhibit B to the Plaintiff's Original Complaint), please state and/or identify the following:
  - A. The CUSIP number for each mortgage-backed security;
  - B. The date of purchase and the amount paid for each mortgage-backed security;
  - C. The maximum final maturity of the mortgage backed security;
  - D. Identify all documents which support or evidence the maximum final maturity stated in subpart C;
  - E. Identify every communication with the State Treasurer concerning the maximum final maturity of the mortgage backed security;
  - F. The maximum weighted average life of the mortgage backed security;
  - G. Identify all documents which support or evidence the maximum weighted average life stated in subpart F;
  - H. Identify every communication with the State Treasurer concerning the maximum weighted average life of the mortgage backed security;
  - I. The date and amount of each and every principal payment received for each mortgage-backed security; and
  - J. The date and amount of each and every payment of interest or other income received for each asset-backed security.
11. If you contend that the final maturity of any mortgage backed security listed on Exhibit B to the Plaintiff's Original Complaint varied and/or varies over time, please state the final maturity for each mortgage backed security for each time period and describe in detail how the final maturity was calculated for that time period, including all factors which you contend contribute to the variability.
12. If you contend that the weighted average life of any mortgage backed security listed on Exhibit B to the Plaintiff's Original Complaint varied and/or varies over time, please state the weighted average life of each mortgage backed security for each time period and

describe in detail how the weighted average life was calculated for that time period, including all factors which you contend contribute to the variability.

13. For each mortgage backed security purchased by you for the State Treasurer under the SLA (including but not limited to those listed on Exhibits B & C to the Plaintiff's Original Complaint), please describe in detail any role you had in connection with the security (in addition to the duties and/or obligations created by the SLA). A complete answer to this interrogatory should include your title, your relationship to the security and/or issuer(s) of the security, the duties and obligations undertaken by you in that capacity, to whom you reported concerning those duties and obligations, your compensation for performing those duties and obligations, including the method of calculation of your compensation and the actual compensation received.
14. Identify every committee formed or organized by you between 2004-2009, inclusive, which was charged *inter alia* with the obligation and/or duty of reviewing, analyzing or otherwise monitoring investments made under the SLA for compliance with the investment guidelines of the SLA and also every member of each committee.
15. Identify every committee formed or organized by you between 2004-2009, inclusive, which was charged *inter alia* with the obligation and/or duty of identifying, detecting, or otherwise reviewing possible conflicts of interest created, caused or arising out of your position as custodian, trustee, swap contractor administrator and/or counterparty in interest rate cap and/or swap agreements in connection with asset backed securities purchased by you for your securities lending clients.
16. Identify every person or entity who was or served in the capacity or fulfilled the function of an internal or external auditors for you between 2004-2009, inclusive, including entities and persons employed or affiliated with such entities, who were responsible for monitoring your compliance with contractual guidelines, investment objectives, and/or policies of securities lending clients.
17. Identify every tri-party repurchase (or repo) agreement for which you served as tri-party agent during the period from 2006 to 2008, inclusive, and for which Lehman was also involved in any capacity, including but not limited to: repo buyer or repo seller. A complete answer to this interrogatory should include the date of the agreement, the identity of the repo buyer and repo seller, the original sale price and the repurchase price and/or the repo rate, and maturity date of the repo agreement.
18. Identify all clients to whom the loss-sharing and/or "support" arrangement was proposed by BNY Mellon to provide partial compensation for losses associated with Lehman securities and state the amount of the losses to which the sharing and/or support arrangement applied.

19. Identify every bond issue during the period from 2006 to 2008, inclusive, for which Lehman acted as principal and/or agent and for which you served as trustee, custodian, underwriter, services manager, sponsor or in any other capacity in connection with the issuance, sale or performance thereof.
20. Identify every security issued during the period from 2006 to 2008, inclusive, for which you received compensation from Lehman for services rendered, whether as trustee, custodian, underwriter, services manager, sponsor, agent, contract administrator or in any other capacity in connection with the issuance, sale or performance thereof.
21. Identify every asset backed security for which you served as custodian, trustee, swap contract administrator and/or counterparty in interest rate cap and/or swap agreements during the period from 2006 to 2008, inclusive, and for which Lehman was also involved in any capacity, including but not limited to: issuer, manager, co-manager, sponsor, seller, and/or underwriter.
22. Identify every BNY Mellon “sec lending and asset mgmt” client included in the “\$35 billion (19%)” estimate of Lehman’s triparty repo book made by the Federal Reserve Bank of New York on or about September 9, 2008, a copy of which is attached as Exhibit 1 to these Interrogatories. (FRBNY to LEH Exam. 01995)

# **EXHIBIT 1**

**From:** [Lucinda M Brickler](#)  
**To:** [Meg McConnell](#)  
**Cc:** [Arthur Angulo](#); [Brian Peters](#); [Chris McCurdy](#); [Clinton Lively](#); [Craig Leiby](#); [Debby Perelmuter](#); [Dianne Dobbeck](#); [HaeRan Kim](#); [James P Bergin](#); [Jamie McAndrews](#); [Jan Voigts](#); [Jonathan Polk](#); [Kristin Mayer](#); [Michael Holscher](#); [Michael Schetzel](#); [Michael Silva](#); [Patrick M Parkinson](#); [Sandy Krieger](#); [Sarah Dahlgren](#); [Steven Friedman](#); [Theodore Lubke](#); [Til Schuermann](#); [Wendy Ng](#); [William BRODOWS](#); [Timothy Geithner](#)  
**Subject:** Re: Quick comparison  
**Date:** 09/09/2008 02:40 PM  
**Attachments:** [triparty bear versus lb.doc](#)

---



[triparty bear versus lb.doc](#)

Lucinda Brickler  
Payments Policy Function  
Federal Reserve Bank of New York  
212.720.6132 or 646.720.6132  
▼ [Meg McConnell/NY/FRS](#)

**Meg  
McConnell/NY/FRS**

09/09/2008 12:39 PM

To [William BRODOWS/NY/FRS@FRS](#), [Lucinda M Brickler/NY/FRS@FRS](#)  
cc [Arthur Angulo/NY/FRS@FRS](#), [Brian Peters/NY/FRS@FRS](#), [Chris McCurdy/NY/FRS@FRS](#), [Clinton Lively/NY/FRS@FRS](#), [Craig Leiby/NY/FRS@FRS](#), [Debby Perelmuter/NY/FRS@FRS](#), [Dianne Dobbeck/NY/FRS@FRS](#), [HaeRan Kim/NY/FRS@FRS](#), [James P Bergin/NY/FRS@FRS](#), [Jamie McAndrews/NY/FRS@FRS](#), [Jan Voigts/NY/FRS@FRS](#), [Jonathan Polk/NY/FRS@FRS](#), [Kristin Mayer/NY/FRS@FRS](#), [Michael Holscher/NY/FRS@FRS](#), [Michael Schetzel/NY/FRS@FRS](#), [Michael Silva/NY/FRS@FRS](#), [Patrick M Parkinson/BOARD/FRS@BOARD](#), [Sandy Krieger/NY/FRS@FRS](#), [Sarah Dahlgren/NY/FRS@FRS](#), [Steven Friedman/NY/FRS@FRS](#), [Theodore Lubke/NY/FRS@FRS](#), [Til Schuermann/NY/FRS@FRS](#), [Wendy Ng/NY/FRS@FRS](#)

Subject Re: Quick comparison

1. Lucinda and McCurdy are doing a "that was then, this is now" analysis for the triparty repo piece.
2. Markets (I think?) is going to do some state of the world comparison.
3. We have Bill B. giving us Leh's version of the difference between them and BSC.

(Not sure whether we want to also do something that focuses narrowly on OTC derivatives, or whether that will be covered in what Brodows sends?).

These would need to be ready by around 2:45 or so at the latest.  
Thanks!

Meg

-----  
Margaret M. McConnell  
Federal Reserve Bank of New York  
212-720-8773

▼ William BRODOWS

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

**From:** William BRODOWS  
**Sent:** 09/09/2008 12:22 PM EDT  
**To:** Lucinda Brickler  
**Cc:** Arthur Angulo; Brian Peters; Chris McCurdy; Clinton Lively; Craig Leiby; Debby Perelmuter; Dianne Dobbeck; HaeRan Kim; James Bergin; Jamie McAndrews; Jan Voigts; Jonathan Polk; Kristin Mayer; Meg McConnell; Michael Holscher; Michael Schetzel; Michael Silva; Patrick Parkinson; Sandy Krieger; Sarah Dahlgren; Steven Friedman; Terrence Checki; Theodore Lubke; Thomas Baxter; Til Schuermann; Wendy Ng  
**Subject:** Re: Quick comparison

I have Lehman's own analysis of differences between their position and position of Bear which I will forward.

▼ Lucinda M Brickler/NY/FRS

**Lucinda M  
Brickler/NY/FRS**

09/09/2008 11:28 AM

To Meg McConnell/NY/FRS@FRS  
cc Arthur Angulo/NY/FRS@FRS, Brian Peters/NY/FRS@FRS, Chris McCurdy/NY/FRS@FRS, Clinton Lively/NY/FRS@FRS, Craig Leiby/NY/FRS@FRS, Debby Perelmuter/NY/FRS@FRS, Dianne Dobbeck/NY/FRS@FRS, HaeRan Kim/NY/FRS@FRS, James P Bergin/NY/FRS@FRS, Jamie McAndrews/NY/FRS@FRS, Jan Voigts/NY/FRS@FRS, Jonathan Polk/NY/FRS@FRS, Kristin Mayer/NY/FRS@FRS, Meg McConnell/NY/FRS@FRS, Michael Holscher/NY/FRS@FRS, Michael Schetzel/NY/FRS@FRS, Michael Silva/NY/FRS@FRS, Patrick M Parkinson/BOARD/FRS@BOARD, Sandy Krieger/NY/FRS@FRS, Sarah Dahlgren/NY/FRS@FRS, Steven Friedman/NY/FRS@FRS, Terrence Checki/NY/FRS@FRS, Theodore Lubke/NY/FRS@FRS, Thomas Baxter/NY/FRS@FRS, Til Schuermann/NY/FRS@FRS, Wendy Ng/NY/FRS@FRS, William BRODOWS/NY/FRS@FRS

Subject Re: Quick comparison 

Meg

Chris McCurdy and I will put together the "that was then, this is now" analysis for the triparty repo piece.

Lucinda

Lucinda Brickler  
Payments Policy Function  
Federal Reserve Bank of New York

212.720.6132 or 646.720.6132

▼ Meg McConnell/NY/FRS

**Meg  
McConnell/NY/FRS**

09/09/2008 11:07 AM

To Meg McConnell/NY/FRS@FRS, Arthur Angulo/NY/FRS@FRS, Brian Peters/NY/FRS@FRS, Chris McCurdy/NY/FRS@FRS, Clinton Lively/NY/FRS@FRS, Craig Leiby/NY/FRS@FRS, Debby Perelmutter/NY/FRS@FRS, Dianne Dobbeck/NY/FRS@FRS, HaeRan Kim/NY/FRS@FRS, James P Bergin/NY/FRS@FRS, Jamie McAndrews/NY/FRS@FRS, Jan Voigts/NY/FRS@FRS, Jonathan Polk/NY/FRS@FRS, Lucinda M Brickler/NY/FRS@FRS, Michael Holscher/NY/FRS@FRS, Michael Schetzel/NY/FRS@FRS, Patrick M Parkinson/BOARD/FRS@BOARD, Sandy Krieger/NY/FRS@FRS, Sarah Dahlgren/NY/FRS@FRS, Steven Friedman/NY/FRS@FRS, Terrence Checki/NY/FRS@FRS, Theodore Lubke/NY/FRS@FRS, Thomas Baxter/NY/FRS@FRS, Til Schuermann/NY/FRS@FRS, Wendy Ng/NY/FRS@FRS, William BRODOWS/NY/FRS@FRS

cc Kristin Mayer/NY/FRS@FRS, Michael Silva/NY/FRS@FRS

Subject Quick comparison 

As he mentioned in the meeting this morning, Tim would like someone to put together a quick "what's different? what's the same?" list about LEH vs BSC, as well as about mid-March (then) vs. early Sept (now). He would like this for a call he's having with Chairman Bernanke at 3:00. Any takers for this? Please let me know.

Thanks,  
Meg

-----  
Margaret M. McConnell  
Federal Reserve Bank of New York  
212-720-8773

▼ Meg McConnell

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

**From:** Meg McConnell

**Sent:** 09/08/2008 06:44 PM EDT

**To:** Arthur Angulo; Brian Peters; Chris McCurdy; Clinton Lively; Craig Leiby; Debby Perelmutter; Dianne Dobbeck; HaeRan Kim/NY/FRS@NY; James Bergin; Jamie McAndrews; Jan Voigts; Jonathan Polk; Lucinda Brickler; Meg McConnell; Michael Holscher; Michael Schetzel; Patrick Parkinson; Sandy Krieger; Sarah Dahlgren; Steven Friedman; Terrence Checki/NY/FRS@NY; Theodore Lubke; Thomas Baxter; Til Schuermann; Wendy Ng; William BRODOWS

**Cc:** Kristin Mayer; Michael Silva

**Subject:** Meeting tomorrow at 9:00

The purpose of tomorrow's meeting is to continue the discussion of near-term options for dealing with a failing nonbank. Sorry for the late notice on this meeting.  
Meg

What do we know about conditions in the triparty repo market in September 2008 that we either did not know or that has changed since the situation in March 2008?

- We didn't/don't know much about Bear's triparty repo book
  - It was probably about \$50-80 billion, depending on who was talking
  - It was probably weighted heavily toward MBSs
- We know much more about Lehman's triparty repo book
  - Size much larger than Bear

	Value of Collateral	Percentage of Value
<b>OMO Eligible</b>	<b>\$128 billion</b>	<b>70%</b>
Treasury	\$35 billion	19%
Agency debt	\$28 billion	15%
Agency MBS	\$65 billion	35%
<b>Non-OMO PDCF-eligible</b>	<b>\$31 billion</b>	<b>17%</b>
<b>Non-OMO, non-PDCF</b>	<b>\$23.5 billion</b>	<b>13%</b>
<b>TOTAL</b>	<b>\$182</b>	<b>100%</b>

- Term of financing percentage financed for more than one night increases for less liquid collateral

OMO-eligible 17%  
 Non-OMO, PDCF 33%  
 Non-PDCF 50%

- Margins for less liquid collateral, particularly non-investment grade private label CMOs and asset-backed securities, are higher (and are probably more rational than they were in March)
- Investors concentration is high with the top 10 counterparties providing 80% of the financing; the good news is that these are all sophisticated advisors and investors who should be expected to take a professional view of the issues; the bad news is that they are investing others' money and need to meet fiduciary responsibilities and avoid perception of being too exposed
  - BNYM (sec lending and asset mgmt) \$35 billion (19%)
  - JPMC and State Street \$35 billion
  - Fidelity \$12 billion
- Post-bear, investors may be quicker to withdraw funds
  - PDCF is a backstop

- Fidelity is the only 2a7 fund in the top 10 investors, generally accepts lower quality collateral, will likely be among the first to flee
  - Lesson from March was that it is better to be the first to flee than the last
- We know that the matched book is large in nominal terms (\$550 billion+), but we have no insights as to the degree of double counting or netting that this number involves. The consequence of an unwind would be to cause dislocations (of unknown severity) for a fair number of investors/market players who rely on the intermediation provided by Lehman.
- We now know that clearing banks do not have the technical capacity to effect an unwind by collateral type (only by firm and with some effort by trade). This was an option considered during the Countrywide episode that the clearing banks, in fact, would not have been able to operationalize.
- Other concerns
  - Intraday liquidity provided by settlement banks may be a problem as LB's situation deteriorates. Citi, JPMC and we believe BofA have all demanded more margin from LB for providing clearing and settlement liquidity. We know that Citibank is watching them closely on an international basis and if they become uncomfortable, they will likely demand more intra-day margin and will likely cut off Lehman if they don't receive it. LB has a much larger international footprint than Bear had.
  - DTCC complex is likely watching Lehman more closely and could raise participants fund deposits or cut net debit cap if they feel uncomfortable. Most likely they would not do this without speaking to us first. A concern is that uncertainties/misperceptions about closeout procedures may still exist among CC participants, which could cause them to pull back from the CC to avoid loss sharing.