

**From:** Marano, Tom - Fixed Income  
**Sent:** Thursday, March 13, 2008 10:06 PM  
**To:** Eichel, Scott (Exchange)  
**Cc:** Weintraub, Joshua (Exchange)  
**Subject:** RE: Bear Credit Concerns affecting abx, cdx, and ig cds Business with RBC

Understood.

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

**From:** Eichel, Scott (Exchange)  
**Sent:** Thursday, March 13, 2008 6:57 PM  
**To:** Marano, Tom - Fixed Income  
**Cc:** Weintraub, Joshua (Exchange)  
**Subject:** Fw: Bear Credit Concerns affecting abx, cdx, and ig cds Business with RBC

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

**From:** Smith, Darryl R - New York (Exchange)  
**To:** Kenny, James (Exchange); Sedmak, Craig (Exchange); Gordon, Steve - CMBS (Exchange); Dietche, David (Exchange); Eichel, Scott (Exchange); van Lingen, Paul (Exchange)  
**CC:** Egan, James; Hoffman, Daniel - Fixed Income (Exchange)  
**Sent:** Thu Mar 13 18:47:43 2008  
**Subject:** Bear Credit Concerns affecting abx, cdx, and ig cds Business with RBC

I am coming back from RBC where I heard some disturbing news. As you know RBC has been a friendly and active counterparty with bear trading abx, cmbx, and ig9. They were told yesterday and again today by other counterparties that they might have issues with Bear as a counterparty. RBC is an active trader and they may put a trade on with bear then take it off in a day or two with Goldman and novate or assign the trade to Goldman at that time. If these counterparties don't want to take Bear or want to change their pricing to reflect facing Bear then that is a problem. This kind of problem clearly impacts the attractiveness of dealing with Bear as a counterparty and puts us at a big competitive disadvantage. So far Goldman Sachs, BNP, JP Morgan, RBS and maybe others have either singled Bear Stearns out specifically or have said when bidding on a novation that they would need to know the counterparty in advance which is an indirect way of saying people have issues with Bear as counterparty.

My understanding was that all dealers have agreed to the Novation Protocol which includes accepting all other dealers. There is a code and some broker dealers are breaking the code!!!! Can our CFO or CEO or some senior management person call other brokers and address this issue?

At a minimum I am bringing this to everyone's attention. This is a real problem.

Darryl