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**To:** [Deborah.P.Bailey@frb.gov](mailto:Deborah.P.Bailey@frb.gov); [Norah Barger](#)  
**Subject:** Fw: Reverse Counterparty Analysis I (Lehman Brothers)  
**Date:** 09/14/2008 08:46 PM  
**Attachments:** [pic06619.jpg](#)  
[pic19116.jpg](#)

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So for 8180million the tax payer is exposed for up to 90b????  
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----- Original Message -----  
From: Brandon Hall  
Sent: 09/14/2008 08:37 PM EDT  
To: BSR LFIC  
Cc: Dianne Dobbeck; Richard Cahill  
Subject: Reverse Counterparty Analysis I (Lehman Brothers)  
RESTRICTED FR

This note summarizes the results of a Reverse Counterparty Analysis for Lehman Brothers. We examined LFI exposures to Lehman Brothers in comparison with Lehman's own view of its counterparty payables to the LFIs. Via this comparison, it is possible to draw out major discrepancies regarding key counterparty exposure names and magnitudes. The Lehman version below represents the first of a multi-part analysis, which will also encompass AIG going forward.

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According to the firm's data, Lehman has \$24.6B in counterparty current exposure payables to the market. By sector, nearly half (45%) of Lehman's payables are to hedge funds, with 16% payable to commercial banks. LFI payables amount to \$818MM or 3% of total.

(USD Millions)  
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Lehman's view of its LFI exposure payables (\$818MM) differs from the LFIs' view of exposure receivables (\$2.0B) -- just over \$1B MTM. A significant portion of this \$1B gap is potentially explained by collateral netting, differences in metric, and/or collateral valuation differences. We do not perceive this difference between LEH's view and that of the LFIs to be significant.

Specifically (see table below),  
-SocGen reports \$662MM in exposure to Lehman, while Lehman reports a nearly flat position of \$9MM, possibly explained by a difference in exposure metric as well as collateral netting.  
-Credit Suisse reports \$179MM, while Lehman reports \$38MM, possibly due to collateral netting.  
-BNP Paribas reports \$742MM in exposure, whereas Lehman reports \$294MM, possibly due to a difference in metric.

It should be noted that estimates of counterparty risk and exposures are extremely fluid. For example, JPMC reports today that they do not have confidence in a MTM number, given the dynamics of how underlying risk factors will react when markets open tomorrow.

(USD Millions)  
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Please call with any questions,  
Brandon Hall and Jordan Pollinger

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<b>Sector</b>	<b>Due from Lehman</b>	<b>% of Total</b>
Hedge Funds	11,029	45 %
Commercial Banks	3,972	16 %
<i>...of which LFI</i>	<i>818</i>	<i>3%</i>
Mutual Funds	1,724	7 %
Other	7,918	32 %
<b>Total</b>	<b>24,642</b>	

LFI View: Exposure due from LEH				LEH View: Exposure due to LFI			
Institution	As of Date	Current Exposure	Potential Exposure	As of Date	MTM	Collateral	CCE due to LFI
BNPP <sup>a</sup>	09/09/08	\$743	\$967	09/11/08	-\$959	-\$664	\$294
Citigroup	09/10/08	\$207	\$2,600	09/11/08	-\$121	\$1	\$122
RBS/ABN	09/11/08	\$50	\$6,400	09/11/08	\$190	\$304	\$114
JPMC	09/10/08	\$30	\$1,590	09/11/08	-\$172	-\$122	\$50
UBS	09/09/08	\$0	\$1,200	09/11/08	-\$185	-\$105	\$79
Deutsche	09/10/08	\$0	Not Calc	09/11/08	\$194	\$260	\$66
BAC	09/09/08	\$143	\$887	09/11/08	\$266	\$311	\$46
CS	09/11/08	\$179	\$1,385	09/11/08	-\$171	-\$133	\$38
SocGen	09/09/08	\$662	\$776	09/11/08	-\$5	\$4	\$9
Barclays	09/08/08	\$30	\$2,080	09/11/08	-\$4	-\$2	\$1
<b>Total</b>		<b>\$2,044</b>			<b>-\$966</b>	<b>-\$147</b>	<b>\$818</b>