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To

NY Bank Sup - IB Updates

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Subject

MS liquidity update

Highlights from the 10:30 liquidity call;

London -

Haircuts continue to be tweaked, but all FI and Equity positions in London were rolled. Today was challenging, but less so than earlier in the week.

New York -

The less liquid assets (ABS, non-agency CMOs., CP Corp. debt, etc) still difficult to fund. Most overnight clients have abandoned this space. MS pre-funded yesterday via TSLF (schedule 2 auction) in the amount of \$14B.

The more liquid paper (agency, agency MBS, GNMA, agency CMO) saw enough liquidity to finance the firm. Still some flight to quality (i.e., treasuries) but the Fed's \$50B injection today helped.

Treasuries started the day at 1% but now at 2.25% - 2.5%.

Though still early in the day, MS estimated they have lost \$2B to \$3B day-over-day in 2a-7 fund money. As we mentioned yesterday, MS' total exposure to these funds is \$36.5B.

Prime Brokerage

Total outflows yesterday were \$28.7B in the U.S., of which \$15B was free credits and \$13B margin excess.

In London, IPB outflow was \$5B.

At end-of-day yesterday, free credits left in London totaled \$10B and in NY \$35B.

Thus far today, \$6.5 B (a pretty final number) went out from London, leaving \$3.5B free credits there. In NY, PB outflows presently stand at \$11 - \$12B of which only \$3B is net new today; the rest was overhang from late-day requests that came in after the time cut-off yesterday. We will update throughout the day re PB flows in NY.

Other anticipated cash pick-ups today:

Benefit of mark-to-market is about \$6B (i.e., lenders of shorted securities returning cash due to yesterday's market decline); stock borrow returns will add another \$3B; and the lock-up re-calc release adds \$16B. MS also has identified unencumbered house assets of at least \$5B of listed equities and maybe as much as \$15B in other securities. These can either be put out on repo or pledged to the PDCF today.

W.r.t. collateral requests from clearing banks, we already noted that BONY has requested \$3B in addition to the \$5B on deposit last night; conversations will likely occur in regard to this. Re JPMC, Anita reiterated that MS has \$2.2 B on deposit with them, but JPMC is "thinking" about asking MS for a total of \$5B. We will pass along updates as we get them.