To
Adam J Weisz/FRS, Alejandro LaTorre/FRS, Angela Mikinis/FRS, Anne Golden/FRS,
Arthur Angulo/FRS, Brian Begalle/FRS, Chris McCurdy/FRS, Christopher Calabia/FRS,
Clinton Lively/FRS, Daniel Sullivan/FRS, Denise Goodstein/FRS, Dennis Herbst/FRS,
Dianne Dobbeck/FRS, Elizabeth Tafone/FRS, Helen Mucciolo/FRS, Homer Hill/FRS,
James P Bergin/FRS, Jan Voigts/FRS, Jeffrey Kowalak/FRS, Jim Mahoney/FRS,
John Laiby/FRS, Jonathan Stewart/FRS, Kevin Coffey/FRS, Kevin Messina/FRS,
Kirsten Harlow/FRS, Lance Auer/FRS, Lucinda M Brickler/FRS,
Meg McConnell/FRS, Michael Holscher/FRS, Patricia Mosser/FRS,
Sarah Dahlgren/FRS, Steven J Manzani/FRS, Terrence Checki/FRS,
Thomas Baxter/FRS, Thomas J O'Keeffe/FRS, Til Schuermann/FRS,
Tim P Clark/FRS, Tim P Clark/FRS, Timothy Geithner/FRS,
William BRODOWS/FRS, William Dudley/FRS, William Rutledge/FRS,
YoonHi Greene/FRS

cc

bcc

Subject
On-site Primary Dealer Update: September 23
Goldman
Liquidity Pool: $75 billion COB Monday, a decline of almost $3 billion from Friday.
Prime Brokerage: Net outflow of $1-2 billion yesterday.

Morgan
Liquidity Pool: $32 billion COB Monday, down almost $10 billion from Friday.
Prime Brokerage (Monday)
  New York: $8.5 billion in outflow requests.
  International Prime Brokerage: $2 billion of free credit withdrawals today.
Rating Agencies: Fitch will reaffirm Morgan ratings.
Collateral Posted: At COB yesterday (9/22), Morgan had $28.1 billion posted.

Merrill
Liquidity Pool: Estimated to be $34 billion COB today, up $3 billion from Monday.
Fails: Down $3.5 billion to $17.5 billion on Monday.
Term Lending Facility: Update: Still working on the details; expect to have the $10 - $12 billion facility with BofA in place by tomorrow.
Secured
  London: $2.3 billion in repos did not roll.
  New York: $1 billion in whole loans, $1.5 billion in HY, and $1.3 billion in AMPs did not roll.
Counterparty: Dexia Bank rolled its $2.5 billion equity repo.

Comments Submitted by CPC Teams
(Thanks to Craig Leiby for compiling the following)

JPMC
Picked up $10 - $15 billion yesterday, attributing a large part of it to transitioning ex-Morgan and Goldman PB clients. JPMC has seen a 30% increase in PB balances, roughly $30 - $40 billion in flows since the Lehman crisis, including ~$5 billion out of an estimated $30 billion that could leave Morgan.
Collateral call volumes remained elevated on Monday: $2.5 billion in calls on OTC derivatives and $2.1 billion in fails, largely due to Goldman and Morgan having trouble meeting outgoing wires.
Risk management continues to have concerns with Morgan given CEO feedback from weekend discussions with senior Fed officials, ongoing PB outflows, the uncertainty with the finalization of the Mitsubishi UFJ Investment, and the questionable near term benefits arising from Morgan's change to BHC status. JPMC estimates that its potential loss from a Morgan default to be $5 billion (excluding collateral).
JPMC has gone into defensive mode with respect to its Morgan exposure, given that Morgan has yet to sign collateral security interest agreements ($2.7 billion noted last week). Risk instructed that new PB clients from Morgan not be allowed to put on new trades with Morgan.

Citi
Citi is currently carrying out China's State Administration for Foreign Exchange 's recall of $800 million in Goldman securities. $600 million got recalled by mid-day yesterday. A buy-in process will commence at the end of today for any remaining fails.
PB staff were instructed to be prudent with respect to onboarding Lehman and Morgan PB clients. Clients that are not provided the funding they desire from Citi are moving elsewhere.

Deutsche
CRM continues to have concerns with Morgan's liquidity. Recent payment delays cited include Morgan's overdue cash remittances to PB's and yesterday's overdraft with Deutsche for regular operational payments.
Notwithstanding payment delays, Deutsche's CRM acknowledged a decrease in novations from Morgan yesterday as compared to last week.

Barclays
A $150 million dispute with Goldman is expected to be worked out over the next few days.
Management noted yesterday that last week’s flurry of novations away from stand-alone broker dealers has somewhat abated.

**BNPP**

Significant collateral disputes are in place with Goldman ($128.5 million) and Morgan ($57.4 million).

BNP’s Treasurer rejected a $1 billion CD/CP buyback request from Goldman Sachs Asset Management, after concluding that BNPP is at the point where they need to stop the flow of redemptions.

**Credit Suisse**

This morning, Risk Management received notification from Morgan’s PB unit that all cash wires will be made for transitioning ex-Morgan PB clients.

Management reports ongoing unresolved fails with Morgan and an outstanding dispute for $80 million. The $150 million dispute reported recently has been rectified.

Risk Management turned down between 5 and 10 wrong way novation requests that increase already concentrated Morgan exposures. Credit Suisse has concentrated Morgan exposures in ABS, CDS, corporates, and emerging markets.

**CIBC:** Goldman and Morgan were placed on "referral" basis. (Lehman, Merrill and AIG were placed last January.)

**SG:** Goldman and Morgan exposures continue to be closely monitored.

**RBS Greenwich Capital:** Morgan, Goldman, and Merrill remain on Risk’s Watchlist. While RBSGC is comfortable doing direct trading, they are being selective on customer assignments on these names, particularly out-of-the-money trades.

**WFC:** Management acknowledged that Goldman, Merrill and Morgan have become heavily reliant on the overnight market. Under normal conditions, the broker-dealers have 20% overnight and 80% term funding. In recent days, that split has become 95% overnight and 5% term.

**Bank of America:** The bank introduced a cancelable repo program, currently at $10 billion, which allows money funds facing redemptions to obtain funding from Goldman, Morgan, Fidelity, and State Street earlier in the day. The program funds only agency mortgage-backed securities at this point.

**CCR Top Counterparty Analysis:** An analysis of LGD credit exposures at ten large FRB-supervised institutions identified Merrill ($4.1 billion) and Morgan ($3.5 billion) as two of the largest concentrations of counterparty credit risk. After factoring credit default swap spreads, Merrill, Morgan, and Goldman, along with Citi, appear at the top of the list.