

October 24, 2007

Mr. Timothy Geithner
President
Federal Reserve Bank of New York
33 Liberty Street, 10F
New York, NY 10045

Dear Mr. Geithner:

The eighteen signatories below (the “Major Dealers”), working in partnership with the International Swaps and Derivatives Association, Inc. (ISDA) and its member organizations, as well as Managed Funds Association (MFA), and the Asset Management Group of the Securities Industry and Financial Markets Association (SIFMA), are pleased to present below the high-level overview of the Equity Derivative Client On-boarding Strategy as committed to in our May 15, 2007 letter.

The commitment regarding the Equity Derivative Client On-boarding Strategy (the “Strategy”) in our May 15, 2007 letter stated the following:

- The Major Dealers will, in conjunction with the ISDA equity derivative groups, MFA and SIFMA, prepare a plan that outlines a broader client on-boarding strategy by July 31, 2007. This plan will move toward substantially increasing client usage of equity derivative electronic processing platforms by 2008, in keeping with the broad goals outlined in the November 21, 2006 letter; and
- In addition, the Major Dealers will continue bi-lateral negotiations with and commit to undertake on-boarding of interested Buy-side market participants as soon as is practicable.

The Strategy encompasses three distinct phases:

Overview

It is recognized that further standardization of equity derivative documentation for the Buy-side is still required. With this in mind the Major Dealers have laid out a three-phased approach to migrate Buy-side paper confirmations to electronic matching for the Client Eligible Transactions¹. The three phases are as follows:

Phase 1 – Client Documentation Standardization

Phase 2 – Client Documentation Execution

Phase 3 – Electronic Platform on-boarding

The equity derivative industry has an objective to continue to move from paper confirmation to electronic matching. To some extent each phase is independent of the other and can therefore be worked on in parallel to each other, however emphasis will be on Phase 3. It is recognized that to achieve substantial electronic matching the industry is required to progress through Phase 1, that will focus on additional standardization of Buy-side master confirmations (“MCA’s”) for agreed products, and Phase 2, that will focus on executing the Buy-side MCA’s that are already published and that will be published in the future.

¹ Client Eligible Transactions for the initial electronic matching target include index and single-name European options and index and single-name European, US, Asia Ex-Japan and Japan Variance Swaps.

Targets and Commitments

Phase 1 – Client Documentation Standardization (see attached prioritization plan)

- The Major Dealers, in consultation with the ISDA equity derivative groups and representatives from the Buy-side commit to negotiate and publish 6 new Buy-side MCA's by August 31, 2008.
- In addition, the ISDA Equity Protocol (the "Protocol") has been published and will provide an additional method of executing Buy-side MCA's between the Buy-side and dealers that are signatories to the Protocol. We note that the Protocol will not be a replacement for bilateral negotiation as parties will be required to agree a side-letter specifying certain elections and other negotiable terms.

Phase 2 – Client Documentation Execution

- Each Major Dealer commits to execute Buy-side MCA's for Client Eligible Transactions¹ with the necessary focus on high volume clients in order to meet the March 31, 2008 electronic matching target (referenced below). Major Dealers will receive credit for any previously negotiated MCA's which the Major Dealer judges to be sufficient to permit electronic matching;
- Each Major Dealer will target the execution of each new Buy-side MCA, as defined in phase 1, with clients that have 10 or more confirmable events per month in that product in that region, within a reasonable timeframe subsequent to the Buy-side MCA being published.

Phase 3 – Electronic Platform On-boarding

- Each Major Dealer will process electronically a minimum of 50% of their top 20 clients volume of Client Eligible Transactions by March 31, 2008;
- Subsequent commitments will be considered as documentation standardization progresses.

Clarification of Terms for the purpose of this letter

- Buy-side – Buy-side includes all non-G18 entities, however out of necessity, Major Dealers will exclude certain client sectors from the conditions stated in this letter where the envisaged client documentation standardization and electronic matching on-boarding is not practicable

In addition to the outlined Phases above, the Major Dealers, in partnership with the Buy-side, will continue to move towards the steady-state market-standard processing guidelines of:

- Confirmation issuance within T+1 business days for electronic trade submission and T+10 calendar days for non-electronic issuance;
- Matching/affirmation within T+5 business days on electronic platforms and T+30 calendar days for paper execution; and
- Positive affirmation of the economic details of all Eligible Transactions and non-Eligible Transactions between counterparties which do not have an executed confirmation (electronic or paper) within a timeframe to be agreed.

The Platform Strategy, Master Confirmation and Documentation Strategy and Backlog Target Reduction Strategy as stated in our May 15, 2007 letter remain a focus for the equity derivative industry and together with the Client On-boarding Strategy will continue to move the industry towards the steady-state processing guidelines as outlined above.

¹ Client Eligible Transactions for the initial electronic matching target include index and single-name European options and index and single-name European, US, Asia Ex-Japan and Japan Variance Swaps.

We look forward to the continued collaborative and productive effort with our client constituencies as we progress toward our goal of operational efficiency across the derivatives industry.

Yours Sincerely from the Senior Managements of:

Bank of America, N.A.
Barclays Capital
Bear, Stearns & Co.
BNP Paribas
Citigroup
Credit Suisse
Deutsche Bank AG
Dresdner Kleinwort
Goldman, Sachs & Co.

HSBC Group
JPMorgan Chase
Lehman Brothers
Merrill Lynch & Co.
Morgan Stanley
The Royal Bank of Scotland Group
Société Générale
UBS AG
Wachovia Bank, N.A.

¹ Client Eligible Transactions for the initial electronic matching target include index and single-name European options and index and single-name European, US, Asia Ex-Japan and Japan Variance Swaps.

Equity Derivatives Documentation Matrix
October 17, 2007

Product	AEJ Open¹	AEJ Closed²	Europe	Japan	N. America
Index Swap	Interdealer form (P 03/07) Client Form Category 1	Client Form Category 3	One form (covering interdealer and dealer/client) Category 1	Not prioritized currently	Interdealer form (P 2004) Client Form Category 2
Index Option	<i>Interdealer form (P 03/07)</i> <i>Client Form Category 1</i>	<i>Client Form Category 3</i>	<i>One form (covering interdealer and dealer/client) (P 09/07)</i>	<i>Interdealer form (P 2004)</i> <i>Client Form Category 1</i>	<i>Interdealer form (P 2004)</i>
Share Swap	<i>Interdealer form (P 03/07)</i> <i>Client Form Category 1</i>	<i>Client Form Category 3</i>	<i>Client Form (P 09/07)</i>	Not prioritized currently	<i>Interdealer form (P 2004)</i> <i>Client Form Category 2</i>
Share Option	<i>Interdealer form (P 03/07)</i> <i>Client Form Category 1</i>	<i>Client Form Category 3</i>	<i>One form (covering interdealer and dealer/client) (P 09/07)</i>	<i>Interdealer form (P 2005)</i> <i>Client Form Category 1</i>	<i>Interdealer form (P 2004)</i> <i>Client Form Category 1³</i>
Share Variance	<i>One form (covering interdealer and dealer/client) (P 02/07)</i>	<i>One form (covering interdealer and dealer/client) (P 02/07)</i>	<i>One form (covering interdealer and dealer/client) (P 06/07)</i>	<i>Interdealer+ client forms (P 01/07)</i>	<i>Interdealer + client forms (P 01/07)</i>
Index Variance	<i>One form (covering interdealer and dealer/client) (P 02/07)</i>	<i>One form (covering interdealer and dealer/client) (P 02/07)</i>	<i>One form (covering interdealer and dealer/client) (P 06/07)</i>	<i>Interdealer + client forms (P 6/06 + 01/07)</i>	<i>Interdealer + client forms (P 01/07)</i>
Index Dividend Swap	Not prioritized currently	Not prioritized currently	One form (covering interdealer and dealer/client) Category 3	<i>One form (covering interdealer and dealer/client) Category 2</i>	Not prioritized currently
Share Dividend Swap	Not prioritized currently	Not prioritized currently	<i>One form (covering interdealer and dealer/client) Category 3</i>	Not prioritized currently	Not prioritized currently
Full ⁴ Lookthrough DR Supplement	<i>One Form (P 09/07)</i>	<i>One Form (P 09/07)</i>	<i>One Form (P 09/07)</i>	<i>One Form (P 09/07)</i>	<i>One Form (P 09/07)</i>
Partial Lookthrough DR Supplement	<i>One Form, projected completion 12/07</i>	<i>One Form, projected completion 12/07</i>	<i>One Form, projected completion 12/07</i>	<i>One Form, projected completion 12/07</i>	<i>One Form, projected completion 12/07</i>

P = published document

Category 1 - Project will commence in September and will be completed by end of March, 2008.

Category 2 - Project will commence as soon as Category 1 project in the particular region has been published, and will be completed by the end of August, 2008.

Category 3 - These projects will be commenced as soon as all Category 1 and 2 projects in a particular region have been completed.

¹ Australia, Hong Kong, New Zealand and Singapore.

² India, Indonesia, Korea, Malaysia, Taiwan and Thailand.

³ U.S. Exchange Lookalike Share Option Annex

⁴ This Supplement may be used in documenting equity derivatives transactions referencing depository receipts. It is intended for use in particular where the parties may be hedging in the Underlying Shares and require the terms of the transaction to look through to events in respect of the Underlying Shares.

¹ Client Eligible Transactions for the initial electronic matching target include index and single-name European options and index and single-name European, US, Asia Ex-Japan and Japan Variance Swaps.