

# **IMPORTANT NOTICE**

**Fixed Income Clearing Corporation**



**#:** MBS208.08  
**Date:** October 21, 2008  
**To:** Mortgage-Backed Securities Division Participants  
**Subject:** Lehman Brothers, Inc. -- Liquidation Update

Please be advised that the liquidation process for forward open commitments involving Lehman Brothers, Inc. ("Lehman") has been completed. FICC is pleased to announce that no loss allocations will be imposed on MBS member firms as a result of the liquidations of these forward trades.

As per MBS Important Notice 185.08, participants requested that FICC perform the net liquidation of the Lehman MBS Clearing accounts for forward trades, in lieu of a bilateral liquidation process. This request was made by member firms in order to minimize potential market disruptions and ensure a more orderly liquidation of the open forward trades.

With regard to failed trades, as per MBS Important Notice MBS183.08, member firms were asked to submit a MBS Liquidation Template for those failed items that were liquidated in order to establish the associated profit and losses.

FICC has completed reviewing these spreadsheets and is in the process of reconciling fail claims. As previously indicated, as a result of the bilateral liquidations on failed trades, those member firms that made a profit will be debited and those members incurring a loss will be credited via a COI entry.

In order to ensure that the final monies are consistent with firm expectations, FICC is now requesting member firms to resubmit their templates reflecting the final monies of each liquidated transaction and the associated P&L for each net liquidation trade. Firms should resubmit the exact same templates as previously submitted with the same information and add two new columns reflecting the final monies including accrued interest of the liquidated trades and the corresponding P&L on each liquidated item. Please furnish this information by close of business Thursday, October 23rd. Upon final review of these documents, FICC will announce the processing date of the appropriate COI entries.

You can use your original spreadsheet and simply add the two new columns.

We ask that you please return the supplemental templates to Michele Hillery at [Mhillery@dtcc.com](mailto:Mhillery@dtcc.com) by October 22, 2008. FICC will contact firms in the event of any discrepancies.

Non-Confidential

DTCC is now offering enhanced access to all important notices via a new, Web-based subscription service. The new notification system leverages RSS Newsfeeds, providing significant benefits including real-time updates and customizable delivery. To learn more and to set up your own DTCC RSS alerts, visit [http://www.dtcc.com/subscription\\_form.php](http://www.dtcc.com/subscription_form.php).

Please direct any questions regarding this notice to the undersigned or to George Parasole at 212-855-7670 or Dennis Paganucci at 212-855-7626.

Murray Pozmanter  
Managing Director  
Fixed Income Product Management

Phone 212-855-7522  
[mpozmanter@dtcc.com](mailto:mpozmanter@dtcc.com)