

November 21, 2006

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

Dear Mr. Geithner:

Following our discussion at the September 27 meeting between dealers and regulators, and our subsequent conversations with industry organizations, we are pleased to update you on our plans to improve the efficiency of the equity derivatives market and to monitor the interest rate, currency and commodity derivatives markets. Equity derivatives show the longest elapsed time between trade date and confirmation execution for any derivatives asset class, and we are focused on driving operational efficiency across this market. This effort reflects our continued focus on the derivatives industry as we continue to drive improvements across the credit derivatives market as outlined in previous letters.

The seventeen signatories below (the “Major Dealers”), working in partnership with the International Swaps and Derivatives Association, Inc. (ISDA) and its member organizations, as well as the Asset Management Group of the new Securities Industry and Financial Markets Association (SIFMA), and the Managed Funds Association (MFA), are committed to driving operational efficiency through increased standardization of equity derivative documentation where practicable and greater adoption of electronic processing platforms. We wish to create an environment over the next two years where:

- Frequently traded products are supported by streamlined documentation using Master Confirmation Agreements (MCAs);
- The majority of confirmable events are able to be processed electronically and electronic processing is widely used by dealers and their institutional clients;
- Confirmations are executed on a timely basis, by T+5 business days on electronic platforms and by T+30 calendar days for new or more bespoke transactions relying on long form confirmations.

Equity derivatives trades today are predominantly processed via paper confirmations rather than over electronic platforms, due in large part to the need for industry-agreed standard trade documentation and MCAs. Documentation standardization is thus our foremost focus and an important precursor to large-scale, automated trade matching.

In the equity derivatives market, the Major Dealers plan to:

- As our top priority, work with ISDA, SIFMA and MFA to deliver on the attached prioritized plan for creating and publishing upcoming MCAs, giving consideration to industry members' comments to achieve industry-agreed documentation;
- The Major Dealers, SIFMA and MFA commit to providing timely and quality feedback to ISDA within 10 business days on documentation distributed for review;
- Operating on at least one industry-accepted electronic confirmation processing platform by March 31, 2007 for all equity derivative product types that are currently eligible, as well as operating credibly on one other such platform;

- Operating with new products within 60 days on at least one electronic confirmation platform once an industry MCA is published and the platforms begin supporting the new product, and maintaining an ongoing credible presence on a second platform;
- By January 31, 2007, set an aggressive near-term target for the percentage of interdealer eligible trades that are processed electronically;
- Reduce our backlogs of outstanding equity derivative trade confirmations by
 1. Each dealer achieving by January 31, 2007 a 25% reduction in its number of confirmations outstanding over 30 days, from its highest level of outstanding confirmations from July to September 2006; and
 2. Establishing a bilateral schedule of meetings to finalize master confirmations and resolve outstanding confirmations through lock-ins;
- Continue to track our progress as an industry through a common set of metrics and to provide regular submission of those metrics to our supervisors for transparency progress purposes.

We recognize that future market evolution may require adjustments in our electronic platform strategy.

In the interest rate, commodities and foreign exchange (FX) markets, we continue to support the growth of standardized documentation and automation. We support greater adoption of electronic trade confirmation platforms in the interest rate and commodities markets and we encourage industry-wide adoption of the 2005 ISDA Commodity Definitions. The FX industry has achieved greater efficiency in recent years through standardized trade templates and significant use of electronic matching, and the industry will continue to be monitored by the existing Fed FX Committee.

As we continue to drive toward higher efficiency across the derivatives industry, we look forward to a continued, collaborative effort with our client constituencies and to further productive dialogue with the supervisory community.

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
 JP Morgan Chase
 Lehman Brothers
 Merrill Lynch & Co.
 Morgan Stanley
 Société Générale
 UBS AG
 Wachovia Bank, N.A.

Equity Derivatives ISDA Documentation Prioritization Plan

First step, with completion of the following templates on or prior to **January 30, 2007***

Share Variance	AEJ Interdealer	AEJ Client ⁴	Europe Interdealer	Europe Client ⁴	Japan Interdealer ³	Japan Client ⁴	US Interdealer ²	US Client ⁴
Index Variance	AEJ Interdealer	AEJ Client ⁴	Europe Interdealer	Europe Client ⁴	Japan Interdealer ¹	Japan Client ⁴	US Interdealer ²	US Client ⁴

*Amendment to AEJ Index and Share Option MCA to facilitate electronic processing is included in this step. Convergence in treatment of certain items in the US/Europe variance documentation is currently being discussed, and any agreement on terms will be proposed for inclusion globally.

¹Published June 2006

²Published 2004, amendments currently being discussed.

³Pre-publication version has been circulated.

⁴Client forms of variance documentation incorporate all material commercial terms of the inter-dealer form for the same region and allow for election of other terms (including the responsibilities of each party, such as the identity of the Calculation Agent) on a bilateral basis.

Second step, with completion of the following templates on or prior to **March 31, 2007**

Index Swap ²	European Client
Index Option ¹	European Client
Single Share Swap ²	European Client
Single Share Option ¹	European Client

¹The European Share/Index Option Master Confirmation incorporates all material commercial terms of the inter-dealer form for the same region and allows for elections of other terms (including the responsibilities of each party) on a bilateral basis.

²The European Share/Index Swap Master Confirmation, like all ISDA publications, will reflect the consensus of market participants representing different segments of the market.

In addition, the industry has agreed to 10 Business Day response time to provide individual institution comments on draft documentation.