

FINANCIAL TIMES

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Goldman Sachs, Barclays and DRW Trading of Chicago took over the US futures and options trades of Lehman Brothers after the investment bank's 2008 bankruptcy, it was revealed on Wednesday.

The identity of the parties that assumed control of the Lehman book had been kept from public view at the request of US exchange operator CME Group.

However, James Peck, US bankruptcy judge, on Wednesday agreed to allow previously undisclosed parts of the 2,200-page report by Anton Valukas, bankruptcy examiner in the case, to be unsealed.

Lehman was a longtime clearing member at CME venues including the Chicago Mercantile Exchange and the New York Mercantile Exchange.

In that role, it had \$4bn of the \$95bn that the CME clearing house stockpiled to guarantee trades in cases of default, according to the report. Half of Lehman's collateral backed its in-house proprietary trading positions.

When Lehman filed for bankruptcy in September 2008, CME scrambled to liquidate the bank's proprietary bets.

Five companies submitted bids, all of which "involved substantial losses" to Lehman, as they demanded to be given collateral that in many cases exceeded the market value of the bank's derivatives holdings, according to the examiner. The firesale cost Lehman more than \$1.2bn, the examiner said.

Barclays, which also took over Lehman's North American investment bank, was transferred more than \$700m in collateral as it assumed the energy positions, resulting in a paper loss to Lehman of \$335m, according to the report.

Goldman agreed to take over Lehman's natural gas positions, at a \$140m loss to Lehman, and its equity derivatives trades at a \$450m loss to Lehman.

Losses associated with DRW's takeover of forex, interest rates and agricultural derivatives trades totalled \$303m, the examiner said. DRW is a proprietary trading firm.

Mr Valukas's report said that, while an argument could be made challenging the auction, US law would probably pre-empt most suits against the recipients of the assets.

"The law generally says that if you comply with the process for auctions, that's all you have to do to determine fair value," said Christopher Panos, a bankruptcy specialist with Craig and Macauley. "To argue against that, you'd have the difficulty of proving the process was impaired by collusion between Barclays and Goldman, or was fraudulently run by the CME in some way."

Goldman and Barclays declined to comment. DRW said it "is proud that in its role of liquidity provider we were able to assist the CME when it determined that an emergency auction was necessary to assure the stability and continuity of the markets".

CME had said releasing the trade details could have a "a chilling effect on potential bidders' willingness to participate in any similar auctions".

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