Unofficial transcript of telephone call on 27 October 2008 at 12:17 GMT between and an individual named Peggy at the Federal Reserve Bank of New York. They were connected by telephone by an unnamed staff member at Barclays. Barclays notes that the following transcript was prepared without the aid of a professional court reporter. However, Barclays believes that the transcript herein is complete and accurate.

: [Answers telephone]

Barclays staff member: Hey ? Hold on a sec…yep…….Hey ?

: Yeah, hi.

Peggy: Hello?

Barclays staff member: Hello Peggy, this is ahh ………. is on the line. He's our dollar deposit trader.

Peggy: That's great. Thank you so much. , hi good morning. This is Peggy from the New York Fed.

: Yeah, hi Peggy.

Peggy: Hi. I'm sorry for bothering you I just want to get a quick update on how dollar funding conditions are.

: Um, well I suppose the name of the game today ahh is emerging markets, ah and everyone is sort of worried about emerging markets and lack of liquidity therein. We're hearing overnight Romanian trading at anything up to 900%...ahh….overnight Mexico's trading up in the hundreds as well, so it's sort of…that's sort of causing a bit of a problem for the dollar market in….well for every market, it's not just the dollar market in that people are just very, very worried about sort of counterparties, liquidity, all the general thing that we were worried about last week. Now the one bright note on the horizon (we don't like to be negative all the time) is the CPFF.

Peggy: Yes. Starting today. Okay.

: So, if people take that up, ahh, we think it's actually pretty attractive funding levels. You know, if you make full use of it, it comes out at about OIS + 220, say….

Peggy: Mm mm.

: …ahh, you know, so if you're looking at an OIS of sort of around 90 at the moment, well you're getting money in at 310 with a libor at 3.5 and, you know, I've actually just had a run through with the brokers and there are people out here paying anything from 4% to 4.10 for 3 months and in fact just anecdotally a sterling bid at libor, sterling libor equates to a 4.45 bid in dollars at 3s so there's still a lot of pressure on the dollar market now. I think the CPFF will not necessarily bring libors down as such because of the weight of offers of cash but just because people will be able to fund themselves in, you know, via this SPV, and so demand for cash should come down. Now hopefully, that will make these lenders of cash few and far between as they are actually lower their prices, but whether they do or not, it's another…..

Peggy: Hhhow, I mean, today, so how are you seeing the availability of dollars out there say compared to Friday?

: Well…

Peggy: Any change?

: Okay, I'll tell you what I've done. Uuum, I have been given a reasonable amount of dollars in one month. Um, three months, I've tried to take a 3.75 offer out of Hong Kong they couldn't do me. As at 11:00 London time there..were..no..offers. Now, I do know that um, according to my brokers, New York centre is asking if anybody's paying up in 2 months at the end of the month, so that's end of December money. They're also asking threes but they're asking a lot but they're not actually trading anything, or, or…

Peggy: Do you know what they're asking? What the level is?

: They're asking where people pay, but they're not actually showing any offers or giving any money away.

Peggy: Can I ask, the one month that you got, is it…um, how much, like… what level did you get that at if you don't mind me asking?

: err, I got it at anywhere between 3.25 and 3.40

Peggy: So a liiittle bit above libor then?

: Yeah, yeah, I mean I put my libor at 40 because I thought that that was a sort of, you know, if I was to go out and ask for money, that would be a reasonable level. But you know I could have probably put that five ticks down and that would have been…….and you know I couldn't have argued against it. Go any lower than that I probably would have argued. I put my 3 month libor at 3.90, really because just, because there is no money out there. The last…….

Peggy: Do you….I mean in terms of the libor settings, I mean, what are your just general thoughts too on them?

: Um, I can see why people are trying to push them down but don't think it's justified in, in…if you actually look at the strict definition of libor er, and ah, and also in view of the fact that money funds really aren't in the market and also I think er I told you before that if New York-based banks are going to come on and lend other currencies to produce dollars, you should actually be seeing libors go up like, you know, I think I said, you know that our Euro bid on Friday would have, or on Thursday, would have equated to a dollar bid of 4.5%, so we could have got the money, but it would have been sort of a circuitous route, and in fact it would have had the strange effect of making libors go up because that's the only place where money was available.

Peggy: Alright. I see, Okay.

: So, it's...you know....it's a strange old thing where we've got this huge great forward foreign exchange skew in all periods. But you know, definitely dollars....if you can get dollars they are *definitely* the cheapest forward funding for *any* currency, apart from maybe the Hong Kong dollar.

Peggy: Really? Okay.

: I don't know. Do you have Bloomberg up on your desk?

Peggy: Yes, I do.

: Put up, "FX"....actually, put up "FXIA".

Peggy: [Tap, tap, tap] okay.

: ....and then it will come up with a, like a table.

Peggy: Oh...

: If you put "Swap Period 3", "Go",

Peggy: Three.

: "Go"

Peggy: Okay.

: ...then what you'll see is, that will show you....where it says, "Arb Rate", the second column from the right, that is basically....so you've got the....dollar's at 3.50 / 75 which is libor. It shows you that if you want to get money, at er 3 month Euro, libor, you can afford to pay up to 4.94%.

Peggy: Oooh wow!! Okay. Oh this is great, Thank you!!

: This is a really....this is what we look at all the time and....

Peggy: Okay

: ....at the beginning of the year when people were saying, "Why are you setting your libors so high?", I was saying, "Well, I know the money funds are in but you can't take away from the fact that other currencies are prepared to pay way over libor to get money in".

Peggy: Right.

: And, um, now that money funds, because money funds can't arbitrage. If they could arbitrage, believe me, libors would be higher.

Peggy: Okay.

: Because they look at all this and say, "Right okay. Well if I go and give 3-month Euros, I'll have myself a dollar asset of 4.94". And so, this is what we look at all the time. So you can see that....

Peggy: That's great. Okay. thank you so much.

: That is a pleasure.

Peggy: Okay, looking forward to speaking again. Thank you.

: Thanks bye.

Peggy: Bye.