

**LEHMAN BROTHERS INTERNATIONAL (EUROPE)(IN
ADMINISTRATION)**

SUMMARY OF CLIENT MONEY JUDGMENT

On the Main Issues raised by the Administrators' application for directions ("the Client Money Application"), and for the reasons given in the written Judgment handed down today:

1. The statutory trust created by CASS7 takes effect upon the receipt, rather than only upon the segregation, of client money.
2. Pending segregation of client money, a firm is obliged to take reasonable steps to ensure that, in relation to client money mixed in house account with the firm's own money, clients' rights in relation to that client money are not put at risk, or the client money used for the firm's own purposes.
3. The Client Money Pool ("CMP") which arises on the happening of a Primary Pooling Event ("PPE") consists only of client money in the firm's segregated client accounts. Client money in other accounts of the firm may nonetheless be identified by the application of the established principles of tracing.
4. CASS7 makes no provision for the pooling or distribution of identifiable client money (if any) in the firm's non-segregated accounts, outside the CMP. The general law permits clients to pursue proprietary claims in relation to any such identifiable client money, in accordance with the established principles of tracing.
5. Neither the CASS rules nor the general law require or permit a shortfall in the CMP as at the time of the PPE to be topped up, either from identifiable client money outside the CMP, or from the general assets of an insolvent firm, such as LBIE, in administration or liquidation.
6. The basis for a client's right to share in the CMP (the client money entitlement) is by reference to the amount of client money which was in

fact segregated by the firm for each client, not the amount (if different) which should have been segregated for each client. Certain adjustments are to be made to the client money entitlements thus identified, mainly to ensure that a client money entitlement does not get paid or satisfied twice over.

7. The clients' respective client money entitlements are to be calculated as at the date of the PPE, not the date of distribution.
8. The firm's claims against clients cannot be set-off against clients' entitlements to share in the CMP, nor used as the basis for a retainer by the firm. This is without prejudice to any security which the firm may have over clients' entitlements.

The detailed questions raised by the Client Money Application, together with the Court's answers to those questions, are to be found in paragraphs 338 and following of the Judgment.