

UNITED STATES OF AMERICA  
before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 58612 / September 22, 2008

ORDER GRANTING TEMPORARY, CONDITIONAL RELIEF FROM THE NET  
CAPITAL RULE FOR BARCLAYS CAPITAL, INC.

Barclays Capital, Inc. ("Barclays Capital") is a broker-dealer registered with the Securities and Exchange Commission ("Commission"). Barclays Capital's ultimate holding company is Barclays Group ("Barclays Group"), which is supervised by the United Kingdom Financial Services Authority. Barclays Group, through Barclays Capital, has entered into an agreement to purchase substantially all of the assets, businesses and personnel of Lehman Brothers Inc. ("Lehman").

On November 9, 2005, the Commission issued an Order approving Lehman's application to use the alternative method of computing net capital contained in Appendix E ("Appendix E") to Rule 15c3-1 (17 CFR 240.15c3-1e) under the Securities Exchange Act of 1934 ("Exchange Act"). In a September 19, 2008 letter to the Commission, Barclays Capital and Barclays Group applied to the Commission for an exemption that would permit Barclays Capital, as successor to a substantial portion of Lehman's assets and liabilities, to continue to use for a temporary period the alternative method of computing net capital contained in Appendix E solely when computing capital charges for the positions it acquires from Lehman.

Pursuant to paragraph (b)(3) of Rule 15c3-1, the Commission may, upon written application, exempt from the provisions of Rule 15c3-1, either unconditionally or on specified terms and conditions, any broker or dealer who satisfies the Commission that,

because of the special nature of its business, its financial position, and the safeguards it has established for the protection of customers' funds and securities, it is not necessary in the public interest or for the protection of investors to subject the particular broker or dealer to the provisions of Rule 15c3-1.

In its letter, Barclays Capital and Barclays Group have represented to the Commission that until such time as the Commission acts on Barclays Capital's application to use the alternate net capital treatment and supervision on a consolidated basis, Barclays Capital will:

- (1) file a draft application promptly, and cooperate and file with the Commission a plan to complete all requirements of such application process (including a timeline) and file a completed application in accordance with Appendix E to Exchange Act Rule 15c3-1 within 180 days of the bankruptcy court's approval of Barclays' acquisition of Lehman's assets. In the event Barclays Capital will not be able to file a completed application with respect to the various provisions related to VaR Models, Barclays Capital will promptly inform the Commission of such; and
- (2) devote the appropriate resources and personnel to support such alternate net capital treatment and supervision on a consolidated basis, including any additional conditions the Commission may find to be necessary or appropriate in the public interest or for the protection of investors.

In addition, Barclays Capital stated in its letter that, based on a pro-forma net capital computation, it would have in excess of \$6.5 billion in Tentative Net Capital, as defined.

In order to facilitate both a smooth transition of the Lehman assets and liabilities to Barclays Capital and continued oversight of this business, the Commission believes some additional conditions are necessary, as follows:

- (1) until such time as the Commission determines otherwise, Barclays Capital must maintain at least \$6 billion in Tentative Net Capital;
- (2) until such time as the Commission determines otherwise, the basic market risk and credit risk computations for the positions Barclays Capital acquires from Lehman must be done using the modeling infrastructure used by Lehman prior to the transfer of Lehman's assets and liabilities to Barclays Capital; and
- (3) until such time as the Commission determines otherwise, the basic market risk and credit risk computations must be supervised by individuals who fully understand the operation of Lehman's models (including the inputs and techniques unique to Lehman's models) and the securities that Lehman has been permitted to model, and that have at least one year of experience working with Lehman's models. According to Barclays Capital's letter, it has agreed to acquire substantially all personnel of Lehman, such that it should have employees that meet these requirements on its staff to continue to meet this condition for the exemption.

Barclays Capital will need to maintain Tentative Net Capital of at least \$6 billion. By increasing its Tentative Net Capital to at least \$6 billion, Barclays Capital will significantly improve its financial position. In addition, the movement of these accounts from Lehman to Barclays Capital will further protect customers by providing for a seamless transfer of customers' accounts from Lehman to a financially sound broker-dealer. Further, this temporary relief is specific to the business Barclays Capital purchases from Lehman, using models already reviewed and approved by the Commission, and the computations will be performed by persons familiar to Lehman's models and processes. This relief will extend only until the Commission acts on Barclays Capital's application to compute market and credit risk capital charges pursuant to Appendix E, which Barclays Capital has agreed to submit within 180 days of the bankruptcy court's approval of Barclays Capital's acquisition of Lehman's assets. As such, because of the special nature of Barclays Capital's business, its financial position, and the safeguards it has established for the protection of customers' funds and securities, the Commission finds that approval of this request, subject to the fulfillment by Barclays Capital and its ultimate holding company Barclays Group of these representations and conditions, is appropriate in the public interest or for the protection of investors.

Accordingly,

IT IS ORDERED, under paragraph (b)(3) of Rule 15c3-1 (17 CFR 240.15c3-1) under the Exchange Act, that Barclays Capital may calculate capital charges for the positions it purchases from Lehman Brothers Inc. using the market risk standards of

Appendix E to compute a deduction for market risk on some or all of the positions, instead of the provisions of paragraphs (c)(2)(vi) and (c)(2)(vii) of Rule 15c3-1, and using the credit risk standards of Appendix E to compute a deduction for credit risk on the credit exposures arising from transactions in derivatives instruments, instead of the provision of paragraph (c)(2)(iv) of Rule 15c3-1, subject to the fulfillment by Barclays Capital and Barclays Group of the representations and conditions set forth above.

By the Commission.

Jill M. Peterson  
Assistant Secretary