




12-6  
12-6  
12-6  
(3-6)

Fri  

Alisa 12-6  
Rit 12-3  
David?  
Benjamin ○ 3-6  
Kristen ○ 3-6  
???

Sat     
Xylor  
(pink wall)

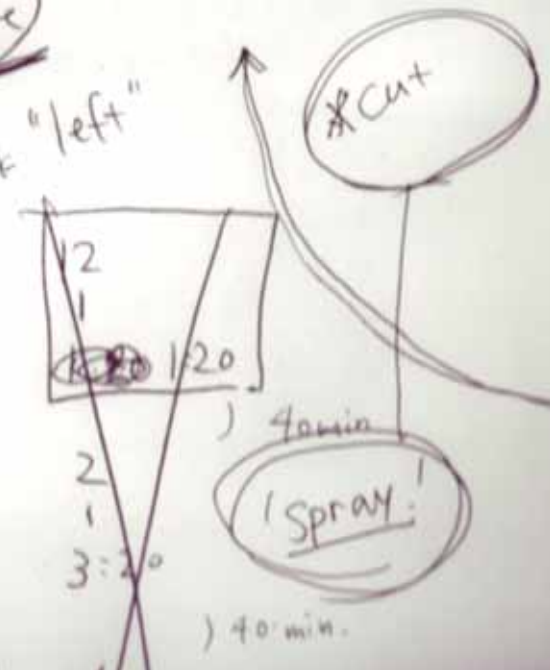
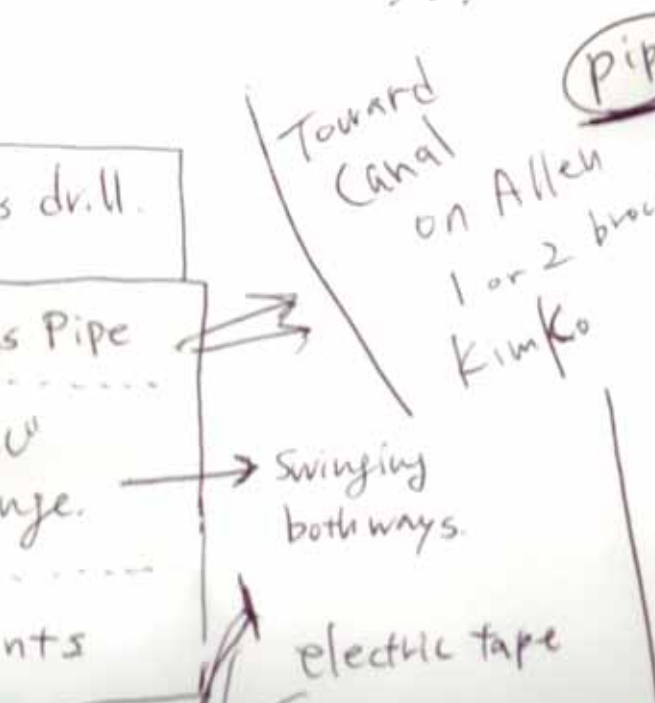
Sachiko ○  
Kanami ○ ???  
646-894-4332  
Reiko ○  
~~Saori ○~~  
Miki ○

Sun

Anthony 12-6  
Woody 3-6 <sup>Call woody</sup>  
2:10  
??? 12-3 ○ woman Kristen  
(12-6)  
Ben 2:30-6

Sakura 12-6 (dance)  
Brian 12-6 (magazine)  
10.  
Call Robert 12-6 ○ (prepare photo architecture CAD)

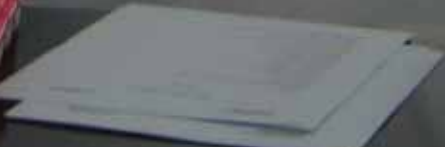
~~Takahiro 12-6 ○ (dance)~~



Brian



San Jose  
Prudencia  
Toluca



REENA SPAULINGS FINE ART

*Ei Arakawa*

**TOWARDS A STANDARD ARCHITECTURE**

4 Days LIVE PERFORMANCE by

**EI ARAKAWA**



This book is an artifact of TOWARDS A STANDARD RISK ARCHITECTURE. Its content was created from the performances conducted 03/09/06, 03/10/06, 03/11/06, then assembled and revised 4 times as part of the last performance 03/12/06.

Book designed and created by Brian Lightbody and Lindsay Ballant

spoke to that day volunteered concern about the serious effect the deteriorating situation of Long-Term could have on world markets."

Peter Fisher, executive vice president at the NY Fed, decided to take a look at the LTCM portfolio. On Sunday September 20, 1998, he and two Fed colleagues, assistant treasury secretary Gary Gensler, and bankers from Goldman and JP Morgan, visited LTCM's offices at Greenwich, Connecticut. They were all surprised by what they saw. It was clear that, although LTCM's major counterparties had closely monitored their bilateral positions, they had no inkling of LTCM's total off balance sheet leverage. LTCM had done swap upon swap with 36 different counterparties. In many cases it had put on a new swap to reverse a position rather than unwind the first swap, which would have required a mark-to-market cash payment in one direction or the other. LTCM's on balance sheet assets totalled around \$125 billion, on a capital base of \$4 billion, a leverage of about 30 times. But that leverage was increased tenfold by LTCM's off balance sheet business whose notional principal ran to around \$1 trillion.

The off balance sheet contracts were mostly nettable under bilateral Isda (International Swaps & Derivatives Association) master agreements. Most of them were also collateralized. Unfortunately the value of the collateral had taken a dive since August 17.

Surely LTCM, with two of the original masters of derivatives and option valuation among its partners, would have put its portfolio through stress tests to match recent market turmoil. But, like many other value-at-risk (Var) modellers on the street, their worst-case scenarios had been outplayed by the horribly correlated behaviour of the market since August 17. Such a flight to quality hadn't been predicted, probably because it was so clearly irrational.

According to LTCM managers their stress tests had involved looking at the 12 biggest deals with each of their top 20 counterparties. That produced a worst-case loss of around \$3 billion. But on that Sunday evening it seemed the mark-to-market loss, just on those 240-or-so deals, might reach \$5 billion. And that was ignoring all the other trades, some of them in highly speculative and illiquid instruments.

The next day, Monday September 21, 1998, bankers from Merrill, Goldman and JP Morgan continued to review the problem. It was still hoped that a single buyer for the portfolio could be found - the cleanest solution.

According to Lewis's article LTCM's portfolio had its second biggest loss that day, of \$500 million. Half of that, says Lewis, was lost on a short position in five-year equity options. Lewis records brokers' opinion that AIG had intervened in thin markets to drive up the option price to profit from LTCM's weakness. At that time, as was learned later, AIG was part of a consortium negotiating to buy LTCM's portfolio. By this time LTCM's capital base had dwindled to a mere \$600 million. That evening, UBS, with its particular exposure on a \$800 million credit, with \$266 million invested as a hedge, sent a team to Greenwich to study the portfolio.


The Fed's Peter Fischer invited those three banks and UBS to breakfast at the Fed headquarters in Liberty Street the following day. The bankers decided to form working groups to study possible market solutions to the problem, given the absence







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### LESSONS FROM THE COLLAPSE OF HEDGE FUND, LONG-TERM CAPITAL MANAGEMENT

By David Skirrow

Barrage, the Russian ruble, Metallgesellschaft, Procter & Gamble, LTCM. These are all events in the financial markets which have become market hoaxes to show us where we went wrong, so the hope that we won't allow quite the same thing to happen again. The common weakness, in these cases, was the repeated assumption that "our counterparty and the market it was operating in, were performing within manageable limits." Not once did we realize when crossed for whatever reason, disaster was difficult to head off.

The LTCM fiasco is full of lessons about:

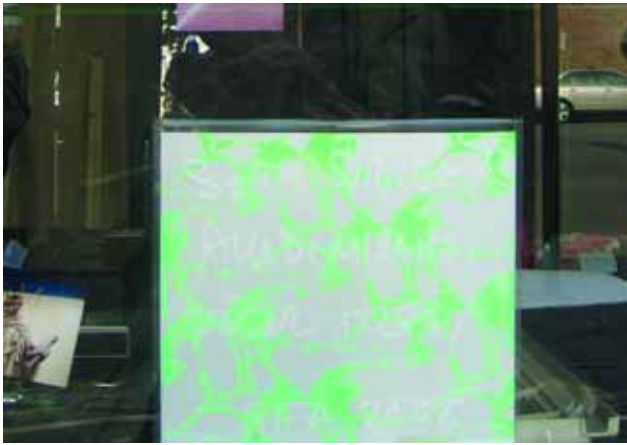
1. Model risk
  2. Unexpected correlation in the breakdown of historical correlations
  3. The need for stress-testing
  4. The value of disclosure and transparency
  5. The danger of over-guaranteed estimation of trading credit
  6. The need of lowering its risk quality
  7. And discussing the limits of game theory.
- The later because LTCM's partners were playing a game up to hell.

John Meriwether, who founded Long-Term Capital Partners in 1993, had been head of fixed income trading at Salomon Brothers. Even when forced to leave Salomon in 1991, in the wake of the firm's Treasury section rigging scandal (another



"filling" the equity positions (which return swaps, and the takeover bids) most promising: seeking recapitalization. But any action had to be taken swiftly, or else trigger cross-default clauses in close-out in the over-the-counter derivatives with LTCM would have to other side. The market would quickly against them. Mark-to-market values the French equity index, the CAC 40 the volatility of the entire underlying a rapid close-out would severely hit an unknown number of market players to those of LTCM. In such a one-way A meltdown of developed markets or real possibility. LTCM's clearing agent next day if it didn't see \$500 million, the temptation to draw on a \$900 million Chase Manhattan Bank, because it had counterparties. But the situation was: million. It received only \$470 million. To take the consortium plan further, 1

The four core banks met at 7p by Merrill Lynch. Then at 8.3 presented: Bankers Trust, Bar Deutsche Bank, Lehman Bros, Salomon Smith Barney, Soci these warned that nothing would them in this room, and b) by 2 re all in this equally and together. The delicate question was how at banks around the room would be seeking to liquidate. It was clear that John Meriwether in keeping such a complex position they have if they no longer had out would first have to return facility. But nothing could be derivatives present could pledge \$





① Change. (brast)

1. fix. poles pipes. — buy

~~1. Internet floor (plastic bag. Wazem)~~

~~• Magazine Station. (Center of space)~~

~~1. art work fixed in with John  
original place.~~

ma IP 6000D

~~1. clear window space~~  
morning

○ charge drill morning

power code  
morning

organize

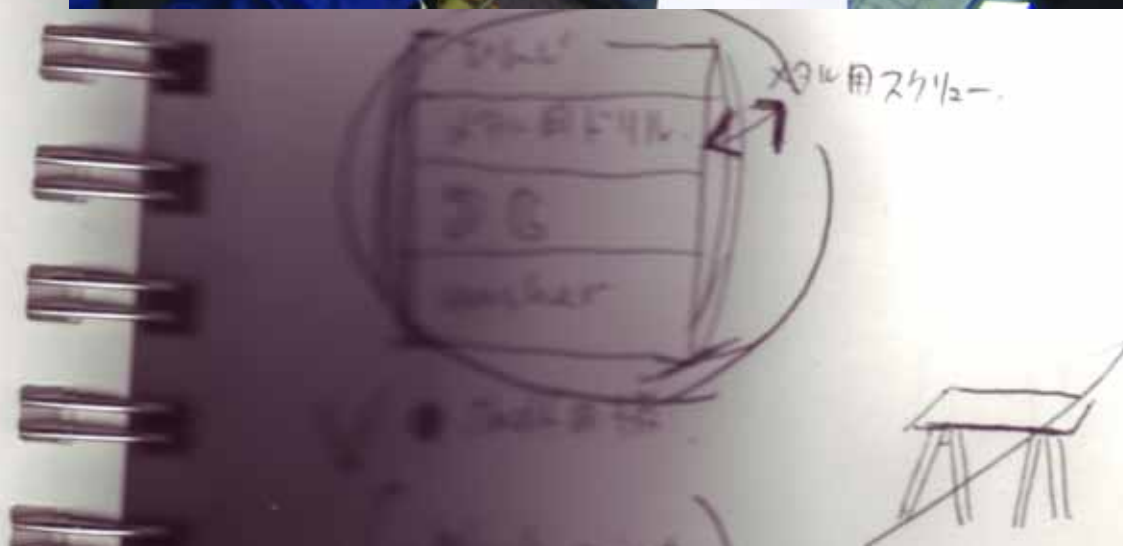
bu



The off balance sheet contracts were mostly nettable under bilateral (International Swaps & Derivatives Association) master agreements. Most of them were also collateralized. Unfortunately the value of the collateral had taken a dive since August 17.

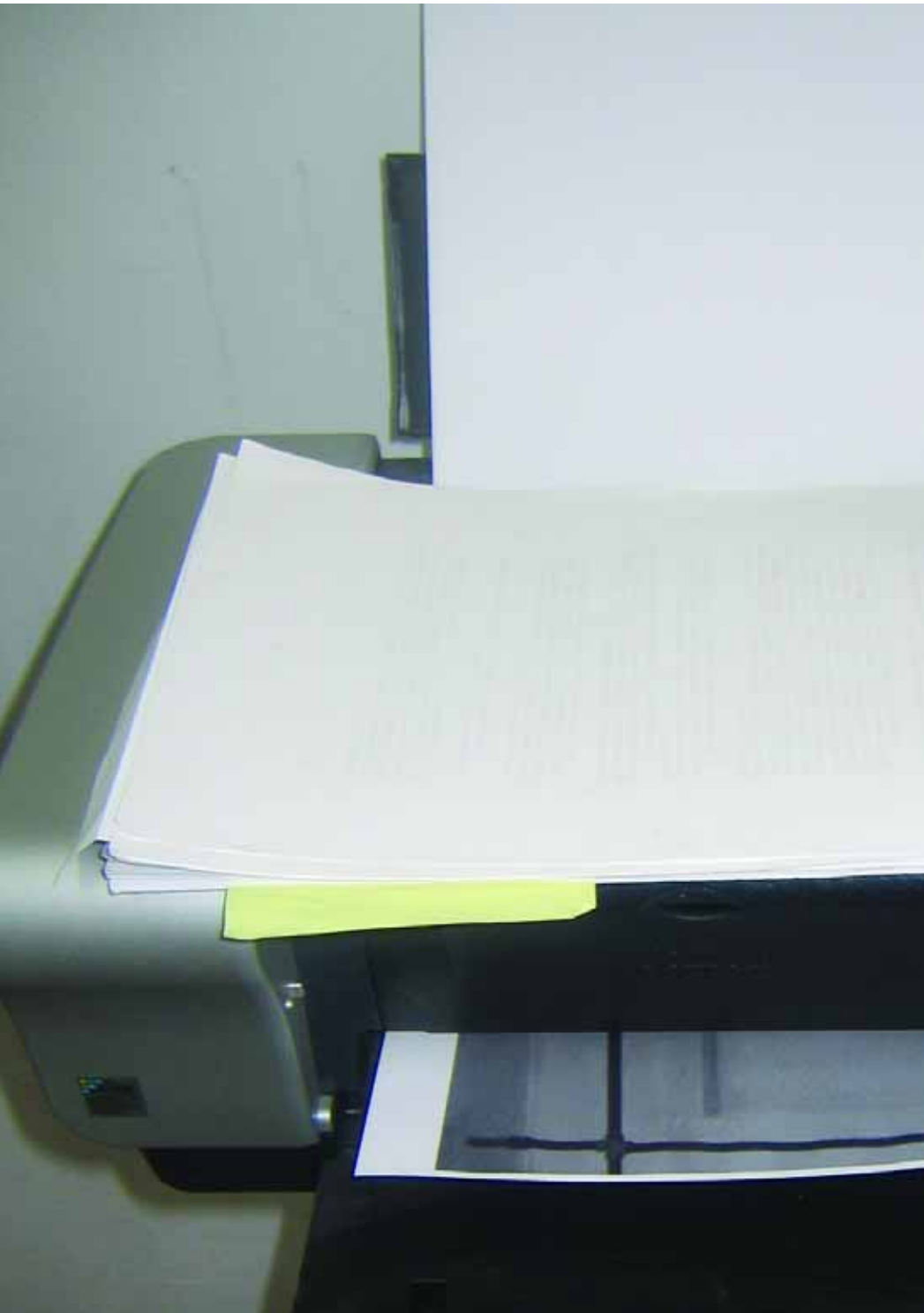
Surely LTCM, with two of the original masters of derivatives and option pricing among its partners, would have put its portfolio through stress tests to match the market. But, like many other value-at-risk (Var) modellers on the scene, their worst-case scenarios had been outplayed by the horribly correlated behaviour of the market since August 17. Such a flight to quality hadn't been predicted, probably because it was so clearly irrational.











▼ Subject: **Toward A Standard Risk Architecture**  
From: Ei Arakawa <a5rkw@mac.com>   
Date: 3/7/06 1:48 AM  
To: Ei Arakawa 

**Toward A Standard Risk Architecture**  
4 days LIVE PERFORMANCE by Ei Arakawa  
with a new vinyl LP by Seth Price

1. It has holes
2. It can be moved
3. It contains unneeded parts of gallery

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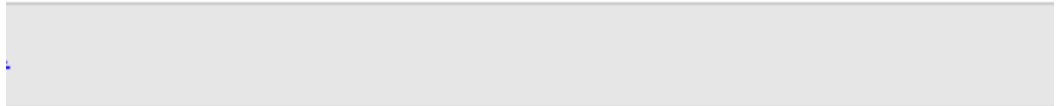
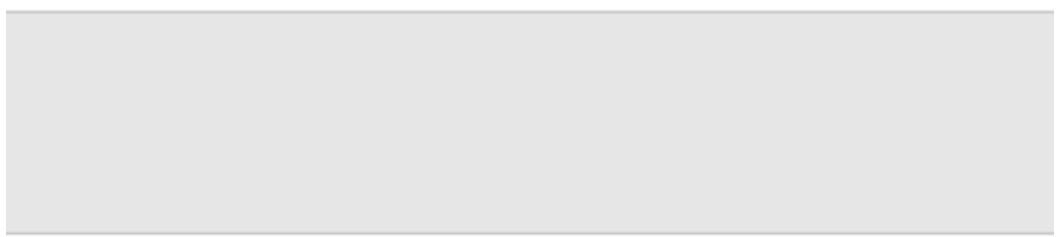
Attachments:



[Part 1.1.1](#)



[Toward.jpg](#)



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