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**From:** Jeffrey Epstein <jeevacation@gmail.com>  
**Sent:** Thursday, April 1, 2010 12:45 PM  
**To:** Jes Staley  
**Subject:** highly confidential

In a candid but slightly guarded reply Larry Summers (LS)=responded that:

- \* the financial re=orm legislation is 85- 90% certain to be passed through Congress this year=(others would be more confident but LS said he would always allow for unfo=eseen events).
- \* the most likely case=is that language in the legislation will be nearest to the language used</=ont> by Senate Banking Committee Chairman Christoph=r Dodd in the March 15 draft. LS said this would be along the lines of regulators having 6 months to study the appropriateness of restrictions on pro=riety trading, at which point these restrictions would come into force.

On being asked by LM whether this would me=n "may" or "shall" for f=deral agencies 'issuing final regulations implementing' the Volcke= rule, LS responded that it's 40% along the "may to shall spectru="- most likely 'should'.

Banks would be restricted to activities they could =emonstrate were for a client or customer, but in practice LS only sees thi= as limiting their activities around the margins. Whilst in name banks wou=d be stopped from engaging in property trading, in practice LS saw banks-=and was comfortable with- rebranding such activities as services to custom=rs.

Therefore, although LS expects it to be less likely=to have banks buying up large hedge funds or getting involved in negative =equity, he does not see the reforms being implemented in a way that substan=ially restrains their propriety activities. LM and LS were both clear that=this would come down to how the legislation is enforced by the regulators =nd LS assured LM they are very conscious of getting the right regulators i= place.

LS said that in practice, he would not envisage big=banks being broken up, or prevented from propriety trading. They may split=off some activity into a holding company, but it could all still happen un=er the same brand and banner- it just may need to re-jig some internal ins=titutional architecture so that propriety trading would be associated with = client, internal or external.

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