



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 16, 1997

Kevin F. Barnard, Esq.
White & Case
1155 Avenue of the Americas
New York, New York 10036-2787

Dear Mr. Barnard:

This letter responds to the request submitted by Deutsche Bank AG, Frankfurt, Germany ("Deutsche Bank"), for relief from the section 20 firewalls to permit its section 20 subsidiary, Deutsche Morgan Grenfell, Inc., New York, New York ("Company"), to participate in the underwriting syndicate in connection with a proposed offering in the United States of subscription rights to purchase certain subordinated mandatory convertible notes of Daimler-Benz Aktiengesellschaft, Stuttgart, Germany ("Daimler"). The Board previously authorized Company to underwrite and deal in a full range of debt and equity securities on a limited basis and engage in other securities-related activities.¹ This approval was conditioned on compliance with the section 20 firewalls, including Firewall 20 which prohibits a section 20 subsidiary, in most cases, from underwriting or dealing in bank-ineligible securities issued by an affiliate unless the securities are: (1) rated by an unaffiliated nationally recognized statistical rating organization; or (2) issued or guaranteed by NFMA, FHLMC or GNMA. Because the securities to be issued by Daimler will not be rated or guaranteed, Firewall 20 would prohibit Company from participating in these underwritings. As you know, the Board previously granted a one-time waiver of Firewall 20 to permit Company to underwrite equity securities issued by Daimler.²

In your letter and subsequent submissions, you indicate that Deutsche Bank AG and Goldman, Sachs & Co. oHG will act as joint lead managers of the underwriting syndicate which will include major U.S. investment banks that are unaffiliated with Company or Deutsche Bank. In addition, you indicated that Goldman, Sachs & Co. will act as "qualified independent underwriter" for the offering in compliance with Rule 2720 of the

¹ See Deutsche Bank AG, 79 Federal Reserve Bulletin 133 (1993).

² See Letter dated January 6, 1994, from Jennifer J. Johnson, Deputy Secretary of the Board, to Kevin Barnard, Esq. (regarding Deutsche Bank's proposal to participate in a secondary offering of a portion of shares of Daimler which were held by Deutsche Bank).

National Association of Securities Dealers, Inc. In its role as qualified independent underwriter, Goldman, Sachs & Co. will perform due diligence and recommend a price for the offering in accordance with the requirements of Rule 2720.

The Director of the Division of Banking Supervision and Regulation ("Director"), acting pursuant to authority delegated by the Board of Governors (12 C.F.R. 265.7(a)(2)), has determined that the circumstances involved in this proposal, particularly that Company will not be the sole or lead underwriter and will not be primarily responsible for due diligence or pricing the underwriting, mitigate the potential for conflicts of interest that Firewall 20 was intended to prevent. Based on the representations made by Deutsche Bank, and all other facts of record, the Director has determined that Company may participate in the proposed underwriting in the manner described in the proposal.

This approval should not be construed as applying to any transaction other than the one specifically set forth above, and does not give relief from any other conditions or commitments or authorize any other activities.

Very truly yours,



Jennifer J. Johnson
Deputy Secretary of the Board

cc: Federal Reserve Bank of New York