



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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 5, 1997

David E. Teitelbaum, Esq.
Sidley & Austin
1722 Eye Street, N.W.
Washington, D.C. 20006

Dear Mr. Teitelbaum:

This is in response to your inquiry regarding whether Merrill Lynch & Co., Inc., New York, New York ("Company"), a nonbank holding company grandfathered under section 4(f)(1) of the Bank Holding Company Act (12 U.S.C. § 1843(f)(1)) ("BHC Act"), may form a de novo federally chartered savings bank in connection with its proposal to resolve a financially troubled federal savings association in Florida by purchasing certain bad assets, assuming certain deposit liabilities, making a capital contribution, and providing other assistance to ensure the safe and sound operation of the institution by its current owners. Company would lose its exemption under the BHC Act if it acquired an additional insured institution or assets of such an institution unless the proposal qualifies under an exemption provided in section 4(f)(12) of the BHC Act (12 U.S.C. § 1843(f)(12)) to assist federal financial supervisors in resolving financially troubled insured institutions. The Office of Thrift Supervision ("OTS") has requested favorable consideration of Merrill Lynch's proposal under the BHC Act in light of the public interest in allowing the Florida institution to continue to provide financial services to its community under current ownership.

Based on all the facts of record, the Board concludes that the proposal may be consummated after the OTS formally declares the institution "in danger of default" under the exemption provided for failing insured institutions in section 4(f)(12)(B) of the BHC Act (12 U.S.C. § 1843(f)(12)(B)).

Accordingly, the Board would not require Company to divest its subsidiary bank under section 4(f)(4) of the BHC Act (12 U.S.C. § 1843(f)(4)) if the proposal is consummated.

The Board's conclusion is based on the facts presented in written submissions and conversations with Board staff as discussed above. Any change in the proposal could result in a different conclusion and should be reported to the Board's staff immediately. The Board also retains the authority to prevent any transaction that would evade the prohibitions in the BHC Act, such as a transaction that enables more than one grandfathered nonbank holding company to acquire an additional insured institution in connection with resolving a single insured institution that is failing or has failed.

If you have any questions regarding this matter, please call Bob Frierson (202/452-3711) of the Board's Legal Division.

Very truly yours,



Jennifer J. Johnson
Deputy Secretary of the Board

cc: Mr. John Cassidy
Federal Reserve Bank of New York