



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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1998

Mr. John C. McLean, Jr.
Executive Vice President
Wachovia Corporation
100 North Main Street
Mailcode - NC37272
Winston-Salem, North Carolina 37031

Dear Mr. McLean:

The Secretary of the Board of Governors of the Federal Reserve System, acting pursuant to authority delegated by the Board, and having considered the record of this notice in the light of the relevant statutory factors, has approved the notice, pursuant to section 4 of the Bank Holding Company Act (12 U.S.C. § 1843) ("BHC Act"), of Wachovia Corporation, Winston-Salem, North Carolina ("Wachovia"), to engage *de novo* through its wholly owned subsidiary, Wachovia Capital Markets, Inc., Winston-Salem, North Carolina ("Company"), in the nonbanking activities listed in the Appendix.

The Board previously has determined by order that underwriting and dealing in bank-ineligible securities, to a limited extent, is closely related to banking for purposes of section 4(c)(8) of the BHC Act.^{1/} The Board also has

^{1/} See I.P. Morgan & Co. Incorporated, et al., 75 Federal Reserve Bulletin 192 (1989), aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System, 900 F.2d 360 (D.C. Cir. 1990); Citicorp, et al., 73 Federal Reserve Bulletin 473 (1987), aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System, 839 F.2d 47 (2d Cir.), cert. denied, 486 U.S. 1059 (1988); as modified by Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an

(continued...)

determined by regulation that each of the remaining activities listed in the Appendix is closely related to banking under the BHC Act. Wachovia has committed to conduct each of the activities in accordance with the limitations set forth in Regulation Y and relevant Board interpretations and orders governing each activity. The Secretary also has determined that performance of the proposed activities, in light of all the facts of record and the commitments made by Wachovia in the notice and related correspondence, is a proper incident to banking for purposes of section 4(c)(8) of the BHC Act, that is, the activities "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices" (12 U.S.C. § 1843(c)(8)).

In approving this transaction, the Secretary has relied on all the facts of record, and all commitments made by Wachovia in the notice and related correspondence, including Wachovia's commitment that Company will conduct its bank-ineligible securities underwriting and dealing activities subject to the Board's 25-percent revenue limit.^{2/} In addition, approval of this transaction is subject to the condition that Wachovia and Company comply with the operating

^{1/}(...continued)

Affiliated Bank or Thrift, 61 Federal Register 57,679 (1996) and Amendments to Restrictions in the Board's Section 20 Orders, 62 Federal Register 45,295 (1997) (collectively, "Section 20 Orders").

^{2/} See Section 20 Orders, as modified by the Order Approving Modifications to the Section 20 Orders, 75 Federal Reserve Bulletin 751 (1989), and 10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities, 61 Federal Register 48,953 (1996), and Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities, 61 Federal Register 68,750 (1996) (collectively, "Modification Orders").

standards set forth at 12 CFR 225.200 in conducting bank-ineligible securities underwriting and dealing activities.^{3/}

These commitments and conditions are conditions imposed in writing in connection with the findings and decisions herein and, as such, may be enforced under applicable provisions of law. Approval of this notice is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 CFR 225.7 and 225.25(c)), and to the Board's authority to require reports by, and make examinations of, bank holding companies and their subsidiaries and to require such modification or termination of activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the BHC Act and the Board's regulations and orders issued thereunder.

This transaction should be consummated within three months after the date of this letter, unless such period is extended by the Federal Reserve Bank of Richmond. In connection with this provision, advice of the fact of consummation should be given in writing to the Reserve Bank.

Very truly yours,



Jennifer J. Johnson
Deputy Secretary of the Board

Enclosure

cc: Federal Reserve Bank of Richmond
Department of Justice

^{3/} Company may provide services that are necessary incidents to the proposed underwriting and dealing activities. Unless Company receives specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently, any revenues from the incidental activities must be treated as ineligible revenues subject to the Board's revenue limitation.