

Mafco Holdings Inc.
35 East 62 Street
New York, New York 10021
212/572-8600

February 6 , 2001

By Federal Express and Electronic Mail

Manager, Dissemination Branch
Information Management and Services Division
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Attention Docket No. 2000-91

Re: Proposed Rule Regarding Savings and Loan Holding Companies, Notice of Significant Transactions or Activities, and OTS Review of Capital Adequacy (12 C.F.R. Part 584); Docket No. 2000-91; RIN 1550-AB29.

Dear Sir or Madam:

This letter is submitted by Mafco Holdings Inc. (hereinafter "Mafco") with respect to the above referenced proposed regulation (the "Proposed Rule"). Mafco appreciates the opportunity to comment on the Proposed Rule.

Mafco owns, indirectly, approximately 32 % of the outstanding common shares of Golden State Bancorp Inc., a publicly traded unitary savings and loan holding company. Golden State indirectly owns all of the outstanding common shares of California Federal Bank, a federal savings association.

Mafco is indirectly engaged in significant non-financial businesses through its direct or indirect ownership interests in Revlon Inc., a leading manufacturer and marketer of cosmetics and related products; Panavision Inc., which manufactures and leases cameras and related technology for the entertainment industry; and M&F Worldwide Corp., which manufactures and markets flavors, principally licorice.

General Comments

Through the Proposed Rule, the OTS seeks to promote “increased supervisory diligence to ensure that actions by an affiliate do not pose a material risk to the safety, soundness, or stability of the subsidiary savings association” while imposing “the least possible regulatory burden.” We support these objectives.

However, we are concerned that, as currently written, the Proposed Rule would pose an undue regulatory burden upon the ordinary business activities and operations of certain SLHCs – companies, like Mafco, which while technically qualifying as savings and loan holding companies, do not pose regulatory risks to their related insured institutions of the kind described in the OTS’s discussion accompanying the Proposed Rule.

Specifically, we believe that the 30 days prior notice provision of the Proposed Rule is inappropriate and undesirable in those instances where there is minimal integration between holding company and the savings association, especially where the SLHC is merely a shareholder of a publicly held SLHC which, in turn, owns the insured savings association. Many of our specific comments address this concern.

In finalizing the Proposed Rule, we respectfully ask that the OTS respect the historical and statutory framework for the regulation of unitary SLHCs, particularly as it relates to the ability of a unitary SLHC to conduct its non-financial enterprises free from unnecessary regulatory burdens. We strongly believe that the OTS’s desire for stronger regulatory oversight over SLHCs can successfully be reconciled with the legitimate business needs of unitary SLHCs to insure that the regulatory burdens are minimized for the non-financial commercial affiliates of unitary SLHCs.

Our specific comments follow in the balance of this letter.

Specific Comments

Proposed Section 584.110 - Must I file a notice?

Under this section of the Proposed Rule, the OTS would exempt two classes of SLHCs from the notice requirements: companies with relatively small subsidiary thrifts and companies with a certain level of tangible capital.

We believe that another class of SLHC also should be exempt – a shareholder of publicly held SLHCs. Public ownership of a SLHC serves as a substantial firewall that isolates a shareholder of a public SLHC from its subsidiary savings association. For example,

- A public SLHC economically isolates its shareholders from the savings association (*e.g.*, any dividend or other shareholder benefit benefits all shareholders on a ratable basis).
- The fiduciary obligations of the directors of the public SLHC protect against potential shareholder abuses. These obligations are practically and effectively enforced by actual and threatened shareholder litigation and the general influence of market discipline as a consequence of public disclosure requirements.
- A public SLHC is subject to regulatory oversight by the Securities and Exchange Commission, as well as the New York Stock Exchange or National Association of Securities Dealers.
- Shareholders do not, and are not expected to serve as a source of financial strength for a public SLHC or its savings association subsidiary.

Accordingly, we suggest that a new subsection (a)(3) be added to this section of the Proposed Rule that would exempt an SLHC whose beneficial interest in a subsidiary savings association(s) is held through the direct or indirect ownership interest in a company whose common shares are listed on a national exchange (a "Public Holding Company"). The addition of this exemption would recognize the unique role that publicly held holding companies play in the ownership structure of savings associations. It would avoid unnecessary and unduly burdensome requirements on shareholders of public SLHCs without impairing the ability of the OTS to manage the risks imposed by holding companies that have real potential influence over their subsidiary thrifts.

We believe that this approach is consistent with the recent OTS efforts to augment information collection concerning holding company activities. As part of amendments to the Thrift Financial Report ("TFR"), the OTS provided that it would designate the "top owner" for which the information would be filed. In general, we believe that the "top owner" of a publicly owned thrift should be its publicly held SLHC and certainly not a shareholder of the public SLHC.

In keeping with the discretion contemplated under the TFR amendments, we suggest that the final form of the Proposed Rule also include a provision whereby, upon application, an SLHC could be excepted from the notice requirement if the OTS regional director determines, in his or her discretion, that the activities and operations of the savings association are not significantly inter-related to that of the SLHC, after consideration of the following factors:

- a) Shared customers: Does the SLHC market its products or services to customers of the insured institution or vice-versa?
- b) Shared management and employees: Do the officers and employees of the SLHC also serve as officers or employees of the public SLHC or its subsidiary savings association?
- c) Inter-company services: Does the SLHC provide significant administrative, financial, data processing or other services to the insured institution, or vice-versa? Does the SLHC occupy common facilities with the public SLHC or its subsidiary savings association?
- d) Other inter-company transactions: Does the SLHC engage in other significant transactions with the insured institution that are governed under Sections 23A or 23B of the Federal Reserve Act?
- e) Public holding company: Does the SLHC own its interest in the insured institution through a publicly held holding company with a significant number of other stockholders?
- f) Tax consolidation: Is the SLHC consolidated with the insured institution for federal income tax purposes?
- g) Other factors: Any other factor deemed relevant by the Regional Director.

Such a process, exercised in the sound discretion of local OTS Regional Directors most familiar with the organizational structure, strengths, and weaknesses of the SLHCs they oversee and examine, would combine strong oversight with the flexibility to avoid unnecessary regulatory burdens.

We appreciate the opportunity to comment on the Proposed Rule. While we strongly support the objectives of the Proposed Rule, we have equally serious concerns regarding its potential negative impact upon the operations of non-financial subsidiaries of a unitary SLHC, raising both statutory and practical issues.

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We hope that our comments and suggestions will assist the OTS in reconciling the conflicting interests that must be resolved in order that the OTS achieve its objectives of enhanced oversight and minimal burden.

Very truly yours,

Howard Gittis
Vice Chairman

HG/ljs

cc: Barry F. Schwartz
Executive Vice President and General Counsel