



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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 1, 2008

[]

Dear []:

This is in response to the request by []
“Bank”), [] for an exemption from section 23A of the
Federal Reserve Act and the Board’s Regulation W to allow Bank to purchase certain
assets from affiliated money market mutual funds.

A subsidiary of [], Bank’s ultimate parent
bank holding company, serves as investment adviser to a family of money market mutual
funds (“the Funds”). Bank is proposing to purchase assets from the Funds to enable them
to meet redemption requests without having to sell assets into the currently fragile and
illiquid money markets. These purchases would be limited to an aggregate amount of
[] of Bank’s capital stock and surplus, as of September 30, 2008, or
approximately [].

Section 23A and Regulation W limit the aggregate amount of “covered
transactions” between a bank and any single affiliate to 10 percent of the bank’s capital
stock and surplus, and limit the aggregate amount of covered transactions between a bank
and all its affiliates to 20 percent of the bank’s capital stock and surplus.¹ “Covered
transactions” include the purchase of assets by a bank from an affiliate, the extension of
credit by a bank to an affiliate, the issuance of a guarantee by a bank on behalf of an
affiliate, and certain other transactions.² The statute and regulation also require a bank to
secure its extensions of credit to, and guarantees on behalf of, affiliates with prescribed
amounts of collateral.³

¹ 12 U.S.C. § 371c(a)(1) and 12 CFR 223.11 and 223.12.

² 12 U.S.C. § 371c(b)(7) and 12 CFR 223.3(h).

³ 12 U.S.C. § 371c(c) and 12 CFR 223.14.

The proposed purchases of assets by Bank from the Funds would be covered transactions under section 23A and Regulation W. The Funds are affiliates of the Bank for purposes of section 23A and Regulation W because they are advised by a subsidiary of [], Bank's parent holding company.⁴

The aggregate amount of the covered transactions – approximately [] – exceeds Bank's quantitative limits under the statute and rule.⁵ Accordingly, Bank is requesting an exemption from the quantitative limits of section 23A and Regulation W in connection with its purchases of assets from the Funds. Section 23A and Regulation W specifically authorize the Board to exempt transactions or relationships from the requirements of the statute and rule if the Board finds such an exemption to be in the public interest and consistent with the purposes of section 23A.⁶

Bank believes that granting the requested exemption would provide substantial benefits to Bank and the public, as the purchases of assets would result in increased liquidity for the Funds and their investors and would have a stabilizing effect on money market mutual funds and short-term bank and corporate funding markets.

The exemption is subject to the following limits and conditions:

- Bank may only purchase assets from the Funds that are SEC-registered open-end investment companies that operate pursuant to SEC Rule 2a-7 under the Investment Company Act of 1940 (17 CFR 270.2a-7).
- Bank's purchases of assets from the Funds would be limited to the amount necessary to cover net redemptions in the Funds, up to an aggregate maximum of [] of Bank's capital stock and surplus, as of September 30, 2008, or [].
- The assets purchased by Bank from the Funds must be externally rated by an NRSRO at A-1/P-1 or the credit equivalent thereof.
- Bank must purchase the assets at fair market value as determined by an unaffiliated third-party pricing service.

⁴ 12 CFR 223.2(a)(6).

⁵ As of September 30, 2008, Bank's capital stock and surplus was []. Accordingly, for purposes of section 23A and Regulation W, the 10 percent limit for covered transactions with a single affiliate would be [], and the 20 percent limit on covered transactions with all affiliates in the aggregate would be approximately [].

⁶ 12 U.S.C. § 371c(f)(2) and 12 CFR 223.43.

- [] must reimburse Bank on a monthly basis for any losses sustained by Bank in connection with the purchased assets. [] must make the reimbursement payments within 5 days after the end of each month.
- Bank and [] must remain “well capitalized” as defined in the Board’s [], respectively,⁷ so long as the exemption is in effect.
- The exemption will expire on March 31, 2009. No additional asset purchase may be made pursuant to this exemption after that date.

In light of these considerations, the exemption for the proposed covered transactions between Bank and the Funds appears to be consistent with the purposes of section 23A and in the public interest. Accordingly, the Board hereby grants the requested exemption, subject to the conditions and limits discussed above.

This determination is specifically conditioned on compliance by [] and Bank with all the commitments and representations they made to the Board in connection with this exemption request. These commitments and representations are deemed to be conditions imposed in writing by the Board in connection with granting the request and, as such, may be enforced in proceedings under applicable law. This determination is based on the specific facts and circumstances described in your correspondence and this letter. Any material change in those facts and circumstances or any failure by [] or Bank to observe any commitments or representations may result in a different conclusion or in a revocation of the exemption.

Very truly yours,

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

cc: []
Federal Deposit Insurance Corporation

⁷ []