



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

January 15, 2009

The Honorable Ben Bernanke
Federal Reserve Board
Washington, DC 20551

Dear Chairman Bernanke:

During this period of financial turmoil, we have worked together to enhance the stability, liquidity and orderliness of our financial markets. On January 1, 2009, Bank of America Corporation (BAC) acquired Merrill Lynch & Co. (ML). BAC is the largest banking organization in the United States. ML is one of the world's largest wealth management firms. At the end of December, 2008, it became clear that losses experienced by ML during the fourth quarter of 2008 could jeopardize the merger and perhaps the health of BAC, presenting a substantial and systemic threat to our financial markets.

I believe the Federal Reserve Bank of Richmond's participation in a special liquidity facility used to guaranty certain BAC assets is necessary to prevent the substantial disruption to financial markets and the economy that could well occur if the markets lose confidence in BAC in connection with its acquisition of ML. On behalf of the Department of the Treasury, I fully support the FRB Richmond's action and acknowledge that, if any loss arises out of this facility, the loss will be treated by the FRB Richmond as an expense that may reduce the net earnings transferred by the FRB Richmond to the Treasury general fund.

Sincerely,

Henry M. Paulson, Jr.