



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

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 6, 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 up to \$[ ] of assets from affiliated money market mutual funds.

Subsidiaries of [ ] (“Parent”), Bank’s ultimate parent bank holding company, serve as investment adviser to a family of money market mutual funds (the “Funds”). [ ]

[ ]. Bank has proposed to purchase [ ] assets from the Funds to enable the funds to meet redemption requests without having to sell assets into the currently fragile and illiquid money markets.

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.<sup>1</sup> “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.<sup>2</sup>

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

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

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.<sup>3</sup>

The purchases of assets by Bank from the Funds are 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 subsidiaries of Parent, Bank's parent holding company.

The aggregate amount of the covered transactions – approximately \$[ ] – exceeds Bank's quantitative limits under the statute and rule.<sup>4</sup> 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.<sup>5</sup>

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 impact on money market mutual funds and short-term bank and corporate funding markets.

The exemption would be subject to the following limits and conditions:

- Bank may only purchase assets from 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 \$[ ].
- The assets purchased by Bank from the Funds must be externally rated by an NRSRO at A1/P1 or the credit equivalent thereof.

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<sup>3</sup> 12 U.S.C. § 371c(c) and 12 CFR 223.14.

<sup>4</sup> As of June 30, 2008, Bank's capital stock and surplus was \$[ ].

<sup>5</sup> 12 U.S.C. § 371c(f)(2) and 12 CFR 223.43.

- Bank must purchase assets from the Funds at fair market value as determined by a reliable third-party pricing service.
- Parent must agree to reimburse Bank promptly for any losses sustained by Bank in connection with the purchased assets.
- Bank and Parent must remain “well capitalized” as defined in [ \_\_\_\_\_ ].<sup>6</sup>
- Bank’s purchases of assets from the Funds must occur on or before [ \_\_\_\_\_ ].
- The exemption will expire on [ \_\_\_\_\_ ].

In light of these considerations, the covered transactions between Bank and the Funds appear 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 Parent 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 Parent 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: Ivan Hurwitz, Senior Vice President  
Federal Reserve Bank of New York  
Federal Depository Insurance Corporation

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<sup>6</sup> See [ \_\_\_\_\_ ].