UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

OR

_ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-7182

MERRILL LYNCH & CO., INC.
(Exact name of Registrant as specified in its charter)

Delaware	**13-2740599**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Bank of America Corporate Center **100 N. Tryon Street** **Charlotte, North Carolina**	**28255**
(Address of principal executive offices)	(Zip Code)

(704) 386-5681
Registrant's telephone number, including area code:

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X YES _ NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

_ YES _ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer _ Accelerated filer _ Non-accelerated filer X (Do not check if a smaller reporting company) Smaller reporting company _

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

_ YES X NO

As of the close of business on August 6, 2010, there were 1,000 shares of Common Stock outstanding with a par value of $1.33 1/3 per share, all of which were held by Bank of America Corporation.

The registrant is a wholly owned subsidiary of Bank of America Corporation and meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format as permitted by Instruction H(2).

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010
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PART I — Financial Information

Item 1. Financial Statements (Unaudited)

Merrill Lynch & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings/(Loss) (Unaudited)

(dollars in millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Revenues		
Principal transactions	$ 2,100	$ (1,828)
Commissions	1,460	1,626
Managed accounts and other fee-based revenues	1,161	1,064
Investment banking	716	862
Earnings from equity method investments	96	54
Other	1,272	1,091
Other-than-temporary impairment losses on available-for-sale debt securities:		
Total other-than-temporary impairment losses	(39)	(294)
Less: Portion of other-than-temporary impairment losses recognized in other comprehensive income	2	-
Subtotal	6,768	2,575
Interest and dividend revenues	1,002	2,443
Less interest expense	2,053	2,969
Net interest expense	(1,051)	(526)
Revenues, net of interest expense	5,717	2,049
Non-interest expenses		
Compensation and benefits	3,476	3,411
Communications and technology	460	498
Occupancy and related depreciation	318	314
Brokerage, clearing, and exchange fees	262	260
Advertising and market development	94	55
Professional fees	177	153
Office supplies and postage	34	38
Other	671	506
Total non-interest expenses	5,492	5,235
Pre-tax earnings/(loss)	225	(3,186)
Income tax benefit	(135)	(1,145)
Net earnings/(loss)	$ 360	$ (2,041)
Preferred stock dividends	38	38
Net earnings/(loss) applicable to common stockholder	$ 322	$ (2,079)

See Notes to Condensed Consolidated Financial Statements.

Merrill Lynch & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings (Unaudited)

(dollars in millions)	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Revenues		
Principal transactions	$ 5,318	$ 4,086
Commissions	2,927	3,006
Managed accounts and other fee-based revenues	2,212	2,220
Investment banking	1,383	1,468
Earnings from equity method investments	377	94
Other	2,426	1,362
Other-than-temporary impairment losses on available-for-sale debt securities:		
Total other-than-temporary impairment losses	(125)	(294)
Less: Portion of other-than-temporary impairment losses recognized in other comprehensive income	2	-
Subtotal	14,520	11,942
Interest and dividend revenues	2,817	6,826
Less interest expense	4,093	6,424
Net interest (expense)/profit	(1,276)	402
Revenues, net of interest expense	13,244	12,344
Non-interest expenses		
Compensation and benefits	7,320	6,689
Communications and technology	922	897
Occupancy and related depreciation	623	585
Brokerage, clearing, and exchange fees	542	532
Advertising and market development	179	161
Professional fees	321	255
Office supplies and postage	77	80
Other	1,102	957
Total non-interest expenses	11,086	10,156
Pre-tax earnings	2,158	2,188
Income tax expense	529	479
Net earnings	$ 1,629	$ 1,709
Preferred stock dividends	76	53
Net earnings applicable to common stockholder	$ 1,553	$ 1,656

See Notes to Condensed Consolidated Financial Statements.

Merrill Lynch & Co., Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)

(dollars in millions, except per share amounts)	June 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	$ 15,778	$ 15,005
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	11,542	20,430
Securities financing transactions		
Receivables under resale agreements (includes $45,030 in 2010 and $41,740 in 2009 measured at fair value in accordance with the fair value option election)	88,993	69,738
Receivables under securities borrowed transactions (includes $1,349 in 2010 and $2,888 in 2009 measured at fair value in accordance with the fair value option election)	51,455	45,422
	140,448	115,160
Trading assets, at fair value (includes securities pledged as collateral that can be sold or repledged of $32,688 in 2010 and $25,901 in 2009):		
Derivative contracts	46,731	49,582
Equities and convertible debentures	30,569	34,501
Non-U.S. governments and agencies	30,117	21,256
Corporate debt and preferred stock	16,721	16,779
Mortgages, mortgage-backed, and asset-backed	7,516	7,971
U.S. Government and agencies	3,264	1,458
Municipals, money markets, physical commodities and other	12,535	8,778
	147,453	140,325
Investment securities (includes $281 in 2010 and $253 in 2009 measured at fair value in accordance with the fair value option election)	24,195	32,840
Securities received as collateral, at fair value	20,952	16,346
Receivables from Bank of America	34,364	20,619
Other receivables		
Customers (net of allowance for doubtful accounts of $9 in 2010 and $10 in 2009)	21,840	31,818
Brokers and dealers	5,356	5,998
Interest and other	9,651	14,251
	36,847	52,067
Loans, notes, and mortgages (net of allowances for loan losses of $54 in 2010 and $33 in 2009) (includes $3,438 in 2010 and $4,649 in 2009 measured at fair value in accordance with the fair value option election)	32,576	37,663
Equipment and facilities (net of accumulated depreciation and amortization of $1,040 in 2010 and $726 in 2009)	1,847	2,324
Goodwill and other intangible assets	8,791	8,883
Other assets	17,638	17,533
Total Assets	$ 492,431	$ 479,195
Assets of Consolidated VIEs Included in Total Assets Above (pledged as collateral)		
Trading assets, excluding derivative contracts	$ 9,282	
Derivative contracts	153	
Investment securities	1,742	
Loans, notes, and mortgages (net)	2,056	
Other assets	2,685	
Total Assets of Consolidated VIEs	$ 15,918	

Merrill Lynch & Co., Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)

(dollars in millions, except per share amounts)	June 30, 2010	December 31, 2009
LIABILITIES		
Securities financing transactions		
Payables under repurchase agreements (includes $42,614 in 2010 and $37,325 in 2009 measured at fair value in accordance with the fair value option election)	$ 83,134	$ 66,260
Payables under securities loaned transactions	13,474	24,915
	96,608	91,175
Short-term borrowings (includes $6,752 in 2010 and $813 in 2009 measured at fair value in accordance with the fair value option election)	6,801	853
Deposits	12,961	15,187
Trading liabilities, at fair value		
Derivative contracts	37,879	35,120
Equities and convertible debentures	19,336	13,654
Non-U.S. governments and agencies	21,758	12,844
Corporate debt and preferred stock	3,261	1,903
U.S. Government and agencies	2,220	1,296
Municipals, money markets and other	532	643
	84,986	65,460
Obligation to return securities received as collateral, at fair value	20,952	16,346
Payables to Bank of America	25,584	23,550
Other payables		
Customers	34,303	39,307
Brokers and dealers	11,915	14,148
Interest and other (includes $184 in 2010 and $240 in 2009 measured at fair value in accordance with the fair value option election)	19,279	17,080
	65,497	70,535
Long-term borrowings (includes $39,588 in 2010 and $47,040 in 2009 measured at fair value in accordance with the fair value option election)	131,734	151,399
Junior subordinated notes (related to trust preferred securities)	3,563	3,552
Total Liabilities	448,686	438,057
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred Stockholders' Equity; authorized 25,000,000 shares; (liquidation preference of $100,000 per share; issued: 17,000 shares)	1,541	1,541
Common Stockholder's Equity		
Common stock (par value $1.33 1/3 per share; authorized: 3,000,000,000 shares; issued: 1,000 shares)	-	-
Paid-in capital	36,489	35,126
Accumulated other comprehensive (loss) (net of tax)	(276)	(112)
Retained earnings	5,991	4,583
Total Common Stockholder's Equity	42,204	39,597
Total Stockholders' Equity	43,745	41,138
Total Liabilities and Stockholders' Equity	$ 492,431	$ 479,195
Liabilities of Consolidated VIEs Included in Total Liabilities Above		
Short-term borrowings	$ 4,621	
Derivative contracts	10	
Other liabilities	966	
Long-term borrowings	6,751	
Total Liabilities of Consolidated VIEs	$ 12,348	

See Notes to Condensed Consolidated Financial Statements.

Merrill Lynch & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

(dollars in millions)	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Cash flows from operating activities:		
Net earnings	$ 1,629	$ 1,709
Adjustments to reconcile net earnings to cash (used for) provided by operating activities		
Depreciation and amortization	468	608
Share-based compensation expense	830	455
Deferred taxes	507	319
Earnings from equity method investments	(214)	(94)
Other	884	(585)
Changes in operating assets and liabilities:		
Trading assets	(3,324)	26,327
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	3,363	3,728
Receivables from Bank of America	(13,745)	(3,015)
Receivables under resale agreements	(19,255)	32,397
Receivables under securities borrowed transactions	(6,033)	(6,757)
Customer receivables	9,980	7,415
Brokers and dealers receivables	645	7,577
Proceeds from loans, notes, and mortgages held for sale	3,571	5,696
Other changes in loans, notes, and mortgages held for sale	(1,323)	(4,502)
Trading liabilities	19,840	(23,331)
Payables under repurchase agreements	16,874	(23,406)
Payables under securities loaned transactions	(11,441)	(4,361)
Payables to Bank of America	2,034	31,756
Customer payables	(5,004)	(5,112)
Brokers and dealers payables	(2,233)	(3,106)
Other, net	50	4,719
Cash (used for) provided by operating activities	(1,897)	48,437
Cash flows from investing activities:		
Proceeds from (payments for):		
Maturities of available-for-sale securities	854	4,311
Sales of available-for-sale securities	14,827	5,844
Purchases of available-for-sale securities	(508)	(555)
Equipment and facilities, net	(161)	(118)
Loans, notes, and mortgages held for investment	1,394	3,271
Other investments	1,406	909
Cash provided by investing activities	17,812	13,662
Cash flows from financing activities:		
Proceeds from (payments for):		
Commercial paper and short-term borrowings	935	(35,961)
Issuance and resale of long-term borrowings	4,548	6,132
Settlement and repurchases of long-term borrowings	(18,323)	(34,539)
Capital contributions from Bank of America	-	6,850
Deposits	(2,226)	3,620
Dividends	(76)	(53)
Cash used for financing activities	(15,142)	(53,951)
Increase in cash and cash equivalents	773	8,148
Cash and cash equivalents, beginning of period	15,005	52,603
Cash and cash equivalents, end of period	$ 15,778	$ 60,751
Supplemental Disclosure of Cash Flow Information:		
Income taxes paid (net of refunds)	$ 6	$ 126
Interest paid	3,353	7,342

Non-cash investing and financing activities:

For the six months ended June 30, 2010, Merrill Lynch received a non-cash capital contribution of approximately $1 billion from Bank of America associated with certain employee stock awards. In addition, as of January 1, 2010, Merrill Lynch assumed assets and liabilities in connection with the consolidation of certain VIEs. See Note 9.

In connection with the acquisition of Merrill Lynch by Bank of America, Merrill Lynch recorded purchase accounting adjustments in the six months ended June 30, 2009, which were recorded as non-cash capital contributions.

See Notes to Condensed Consolidated Financial Statements.

Merrill Lynch & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income/(Loss) (Unaudited)

(dollars in millions)	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Net earnings/(loss)	$ 360	$ 1,629	$ (2,041)	$ 1,709
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustment	1	(58)	(348)	(119)
Net unrealized gain/(loss) on investment securities available-for-sale	41	(117)	428	534
Net deferred gain/(loss) on cash flow hedges	(9)	8	(33)	6
Defined benefit pension and postretirement plans	2	3	(2)	-
Total other comprehensive income/(loss), net of tax	35	(164)	45	421
Comprehensive income/(loss)	$ 395	$ 1,465	$ (1,996)	$ 2,130

See Notes to Condensed Consolidated Financial Statements.

Merrill Lynch & Co., Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies

Description of Business

Merrill Lynch & Co. Inc. ("ML & Co.") and together with its subsidiaries ("Merrill Lynch"), provide trading, investment, financing and related services to individuals and institutions on a global basis through its broker, dealer, banking and other financial services subsidiaries.

Bank of America Acquisition

On January 1, 2009, Merrill Lynch was acquired by Bank of America Corporation ("Bank of America" or "BAC") through the merger of a wholly-owned subsidiary of Bank of America with and into ML & Co., with ML & Co. continuing as the surviving corporation and a wholly-owned subsidiary of Bank of America. Upon completion of the acquisition, each outstanding share of ML & Co. common stock was converted into 0.8595 shares of Bank of America common stock. As of the completion of the acquisition, ML & Co. Series 1 through Series 8 preferred stock were converted into Bank of America preferred stock with substantially identical terms to the corresponding series of Merrill Lynch preferred stock (except for additional voting rights provided to the Bank of America securities). The Merrill Lynch 9.00% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 2, and 9.00% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 3, that were outstanding immediately prior to the completion of the acquisition remained issued and outstanding subsequent to the acquisition, but are now convertible into Bank of America common stock.

Basis of Presentation

The Condensed Consolidated Financial Statements include the accounts of Merrill Lynch. The Condensed Consolidated Financial Statements are presented in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). Intercompany transactions and balances within Merrill Lynch have been eliminated. Transactions and balances with Bank of America have not been eliminated. The interim Condensed Consolidated Financial Statements are unaudited; however, all adjustments for a fair presentation of the Condensed Consolidated Financial Statements have been included.

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in Merrill Lynch's Annual Report on Form 10-K for the year ended December 31, 2009 (the "2009 Annual Report"). The nature of Merrill Lynch's business is such that the results of any interim period are not necessarily indicative of results for a full year. Certain prior-period amounts have been reclassified to conform to the current period presentation.

As disclosed in Note 22 to the Consolidated Financial Statements contained in the 2009 Annual Report, Merrill Lynch adjusted previously reported 2009 quarterly amounts related to the valuation of certain long-term borrowings, primarily structured notes. Merrill Lynch also recorded revisions to certain purchase accounting adjustments made in connection with the acquisition of Merrill Lynch by Bank of America. In addition, Merrill Lynch's previously reported quarterly results for 2009 were adjusted to include the results of Banc of America Investment Services, Inc. ("BAI"), which was contributed by Bank of America to Merrill Lynch in October 2009, as if the contribution had occurred on January 1, 2009. The aggregate impact of the above adjustments increased the net loss for the three months ended June 30, 2009 by $221 million and decreased net earnings for the six months ended June 30, 2009 by $131 million.

Consolidation Accounting

Merrill Lynch determines whether it is required to consolidate an entity by first evaluating whether the entity qualifies as a voting rights entity (“VRE”), a variable interest entity (“VIE”), or (prior to January 1, 2010) a qualified special purpose entity (“QSPE”).

The Condensed Consolidated Financial Statements include the accounts of Merrill Lynch, whose subsidiaries are generally controlled through a majority voting interest or a controlling financial interest. In periods prior to January 1, 2010, in certain cases, Merrill Lynch VIEs may have been consolidated based on a risks and rewards approach. Additionally, prior to January 1, 2010, Merrill Lynch did not consolidate those special purpose entities that met the criteria of a QSPE. See the “New Accounting Pronouncements” section of this note for information regarding new VIE accounting guidance that became effective on January 1, 2010.

VREs — VREs are defined to include entities that have both equity at risk that is sufficient to fund future operations and have equity investors that have a controlling financial interest in the entity through their equity investments. In accordance with Accounting Standards Codification (“ASC”) 810, *Consolidation*, (“Consolidation Accounting”), Merrill Lynch generally consolidates those VREs where it has the majority of the voting rights. For investments in limited partnerships and certain limited liability corporations that Merrill Lynch does not control, Merrill Lynch applies ASC 323, *Investments — Equity Method and Joint Ventures* (“Equity Method Accounting”), which requires use of the equity method of accounting for investors that have more than a minor influence, which is typically defined as an investment of greater than 3% to 5% of the outstanding equity in the entity. For more traditional corporate structures, in accordance with Equity Method Accounting, Merrill Lynch applies the equity method of accounting where it has significant influence over the investee. Significant influence can be evidenced by a significant ownership interest (which is generally defined as a voting interest of 20% to 50%), significant board of director representation, or other contracts and arrangements.

VIEs — Those entities that do not meet the VRE criteria are generally analyzed for consolidation as either VIEs or (prior to January 1, 2010) QSPEs. A VIE is an entity that lacks equity investors or whose equity investors do not have a controlling financial interest in the entity through their equity investments. Merrill Lynch consolidates those VIEs for which it is the primary beneficiary. In accordance with new accounting guidance effective January 1, 2010, Merrill Lynch is considered the primary beneficiary when it has a controlling financial interest in a VIE. Merrill Lynch has a controlling financial interest when it has both the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Prior to January 1, 2010, the primary beneficiary was the entity that would absorb a majority of the economic risks and rewards of the VIE, based on an analysis of probability-weighted cash flows. Merrill Lynch reassesses whether it is the primary beneficiary of a VIE on a quarterly basis. The quarterly reassessment process considers whether Merrill Lynch has acquired or divested the power to direct the activities of the VIE through changes in governing documents or other circumstances. The reassessment also considers whether Merrill Lynch has acquired or disposed of a financial interest that could be significant to the VIE, or whether an interest in the VIE has become significant or is no longer significant. The consolidation status of the VIEs with which Merrill Lynch is involved may change as a result of such reassessments.

QSPEs — Before January 1, 2010, QSPEs were passive entities with significantly limited permitted activities. QSPEs were generally used as securitization vehicles and were limited in the type of assets that they may hold, the derivatives into which they can enter and the level of discretion that they may exercise through servicing activities. As noted above, prior to January 1, 2010, Merrill Lynch did not consolidate QSPEs.

Securitization Activities

In the normal course of business, Merrill Lynch has securitized commercial and residential mortgage loans; municipal, government, and corporate bonds; and other types of financial assets. Merrill Lynch may retain interests in the securitized financial assets through holding tranches of the securitization. In accordance with ASC 860, *Transfers and Servicing* ("Financial Transfers and Servicing Accounting"), Merrill Lynch recognizes transfers of financial assets where it relinquishes control as sales to the extent of cash and any proceeds received.

Revenue Recognition

Principal transactions revenues include both realized and unrealized gains and losses on trading assets and trading liabilities, investment securities classified as trading investments and fair value changes associated with certain structured debt. These instruments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Gains and losses on sales are recognized on a trade date basis.

Commissions revenues include commissions, mutual fund distribution fees and contingent deferred sales charge revenue, which are all accrued as earned. Commissions revenues also include mutual fund redemption fees, which are recognized at the time of redemption. Commissions revenues earned from certain customer equity transactions are recorded net of related brokerage, clearing and exchange fees.

Managed account and other fee-based revenues primarily consist of asset-priced portfolio service fees earned from the administration of separately managed accounts and other investment accounts for retail investors, annual account fees, and certain other account-related fees.

Investment banking revenues include underwriting revenues and fees for merger and acquisition and other advisory services, which are accrued when services for the transactions are substantially completed. Underwriting revenues are presented net of transaction-related expenses. Transaction-related expenses, primarily legal, travel and other costs directly associated with the transaction, are deferred and recognized in the same period as the related revenue from the investment banking transaction to match revenue recognition.

Earnings from equity method investments include Merrill Lynch's pro rata share of income and losses associated with investments accounted for under the equity method.

Other revenues include gains/(losses) on investment securities, including sales and other-than-temporary-impairment losses associated with certain available-for-sale securities, gains/(losses) on private equity investments and other principal investments and gains/(losses) on loans and other miscellaneous items.

Contractual interest and dividends received and paid on trading assets and trading liabilities, excluding derivatives, are recognized on an accrual basis as a component of interest and dividend revenues and interest expense. Interest and dividends on investment securities are recognized on an accrual basis as a component of interest and dividend revenues. Interest related to loans, notes, and mortgages, securities financing activities and certain short- and long-term borrowings are recorded on an accrual basis with related interest recorded as interest revenue or interest expense, as applicable. Contractual interest, if any, on structured notes is recorded as a component of interest expense.

Use of Estimates

In presenting the Condensed Consolidated Financial Statements, management makes estimates regarding:

- Valuations of assets and liabilities requiring fair value estimates;
- The allowance for credit losses;
- Determination of other-than-temporary impairments for available-for-sale investment securities;
- The outcome of litigation;
- The realization of deferred taxes and the recognition and measurement of uncertain tax positions;
- The carrying amount of goodwill and intangible assets;
- The amortization period of intangible assets with definite lives;
- Incentive-based compensation accruals and valuation of share-based payment compensation arrangements; and
- Other matters that affect the reported amounts and disclosure of contingencies in the financial statements.

Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates and could have a material impact on the Condensed Consolidated Financial Statements, and it is possible that such changes could occur in the near term.

Fair Value Measurement

Merrill Lynch accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. Merrill Lynch accounts for certain financial assets and liabilities at fair value under various accounting literature, including ASC 320, *Investments — Debt and Equity Securities*, ("Investment Accounting"), ASC 815, *Derivatives and Hedging*, ("Derivatives Accounting"), and the fair value option election in accordance with ASC 825-10-25, *Financial Instruments — Recognition,* (the "fair value option election"). Merrill Lynch also accounts for certain assets at fair value under applicable industry guidance, namely ASC 940 *Financial Services — Brokers and Dealers* ("Broker-Dealer Guide") and ASC 946, *Financial Services — Investment Companies* ("Investment Company Guide").

ASC 820, *Fair Value Measurements and Disclosures*, ("Fair Value Accounting") defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

Fair values for over-the-counter ("OTC") derivative financial instruments, principally forwards, options, and swaps, represent the present value of amounts estimated to be received from or paid to a marketplace participant in settlement of these instruments (i.e., the amount Merrill Lynch would expect to receive in a derivative asset assignment or would expect to pay to have a derivative liability assumed). These derivatives are valued using pricing models based on the net present value of estimated future cash flows and directly observed prices from exchange-traded derivatives, other OTC trades, or external pricing services, while taking into account the counterparty's creditworthiness, or Merrill Lynch's own creditworthiness, as appropriate. Determining the fair value for OTC derivative contracts can require a significant level of estimation and management judgment.

New and/or complex instruments may have immature or limited markets. As a result, the pricing models used for valuation often incorporate significant estimates and assumptions that market participants would use in pricing the instrument, which may impact the results of operations reported in the Condensed Consolidated Financial Statements. For instance, on long-dated and illiquid contracts extrapolation methods are applied to observed market data in order to estimate inputs and assumptions that are not directly observable. This enables Merrill Lynch to mark to fair value all positions consistently when only a subset of prices are directly observable. Values for OTC derivatives are verified using observed information about the costs of hedging the risk and other trades in the market. As the markets for these products develop, Merrill Lynch continually refines its pricing models to correlate more closely to the market price of these instruments. The recognition of significant inception gains and losses that incorporate unobservable inputs is reviewed by management to ensure such gains and losses are derived from observable inputs and/or incorporate reasonable assumptions about the unobservable component, such as implied bid-offer adjustments.

Certain financial instruments recorded at fair value are initially measured using mid-market prices which results in gross long and short positions valued at the same pricing level prior to the application of position netting. The resulting net positions are then adjusted to fair value representing the exit price as defined in Fair Value Accounting. The significant adjustments include liquidity and counterparty credit risk.

Liquidity

Merrill Lynch makes adjustments to bring a position from a mid-market to a bid or offer price, depending upon the net open position. Merrill Lynch values net long positions at bid prices and net short positions at offer prices. These adjustments are based upon either observable or implied bid-offer prices.

Counterparty Credit Risk

In determining fair value, Merrill Lynch considers both the credit risk of its counterparties, as well as its own creditworthiness. Merrill Lynch attempts to mitigate credit risk to third parties by entering into netting and collateral arrangements. Net counterparty exposure (counterparty positions netted by offsetting transactions and both cash and securities collateral) is then valued for counterparty creditworthiness and this resultant value is incorporated into the fair value of the respective instruments. Merrill Lynch generally calculates the credit risk adjustment for derivatives based on observable market credit spreads.

Fair Value Accounting also requires that Merrill Lynch consider its own creditworthiness when determining the fair value of certain instruments, including OTC derivative instruments and certain structured notes carried at fair value under the fair value option election. The approach to measuring the impact of Merrill Lynch's credit risk on an instrument is done in the same manner as for third party credit risk. The impact of Merrill Lynch's credit risk is incorporated into the fair value, even when credit risk is not readily observable, of instruments such as OTC derivative contracts. OTC derivative liabilities are valued based on the net counterparty exposure as described above.

Legal Reserves

Merrill Lynch is a party in various actions, some of which involve claims for substantial amounts. Amounts are accrued for the financial resolution of claims that have either been asserted or are deemed probable of assertion if, in the opinion of management, it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many cases, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no accrual is made until that time. Accruals are subject to significant estimation by management, with input from any outside counsel handling the matter. Refer to Note 14 for further information.

Income Taxes

Merrill Lynch provides for income taxes on all transactions that have been recognized in the Condensed Consolidated Financial Statements in accordance with ASC 740, *Income Taxes* ("Income Tax Accounting"). Accordingly, deferred taxes are adjusted to reflect the tax rates at which future taxable amounts will likely be settled or realized. The effects of tax rate changes on deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws, are recognized in net earnings in the period during which such changes are enacted. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more-likely-than-not to be realized. Pursuant to Income Tax Accounting, Merrill Lynch may consider various sources of evidence in assessing the necessity of valuation allowances to reduce deferred tax assets to amounts more-likely-than-not to be realized, including the following: 1) past and projected earnings, including losses, of Merrill Lynch and Bank of America, as certain tax attributes such as U.S. net operating losses ("NOLs"), U.S. capital loss carryforwards and foreign tax credit carryforwards can be utilized by Bank of America in certain income tax returns, 2) tax carryforward periods, and 3) tax planning strategies and other factors of the legal entities, such as the intercompany tax-allocation policy. Included within Merrill Lynch's net deferred tax assets are carryforward amounts generated in the U.S. and the U.K. that are deductible in the future as NOLs. Merrill Lynch has concluded that these deferred tax assets are more-likely-than-not to be fully utilized prior to expiration, based on the projected level of future taxable income of Merrill Lynch and Bank of America, which is relevant due to the intercompany tax-allocation policy. For this purpose, future taxable income was projected based on forecasts, historical earnings after adjusting for the past market disruptions and the anticipated impact of the differences between pre-tax earnings and taxable income.

Merrill Lynch recognizes and measures its unrecognized tax benefits in accordance with Income Tax Accounting. Merrill Lynch estimates the likelihood, based on their technical merits, that tax positions will be sustained upon examination considering the facts and circumstances and information available at the end of each period. Merrill Lynch adjusts the level of unrecognized tax benefits when there is more information available, or when an event occurs requiring a change. In accordance with Bank of America's policy, any new or subsequent change in an unrecognized tax benefit related to a Bank of America state consolidated, combined or unitary return in which Merrill Lynch is a member will not be reflected in Merrill Lynch's balance sheet. However, upon Bank of America's resolution of the item, any material impact determined to be attributable to Merrill Lynch will be reflected in Merrill Lynch's balance sheet. Merrill Lynch accrues income-tax-related interest and penalties, if applicable, within income tax expense.

Beginning with the 2009 tax year, Merrill Lynch's results of operations are included in the U.S. federal income tax return and certain state income tax returns of Bank of America. The method of allocating income tax expense is determined under the intercompany tax allocation policy of Bank of America. This policy specifies that income tax expense will be computed for all Bank of America subsidiaries generally on a separate pro forma return basis, taking into account the tax position of the consolidated group and the pro forma Merrill Lynch group. Under this policy, tax benefits associated with net operating losses (or other tax attributes) of Merrill Lynch are payable to Merrill Lynch upon the earlier of the utilization in Bank of America's tax returns or the utilization in Merrill Lynch's pro forma tax returns.

Securities Financing Transactions

Merrill Lynch enters into repurchase and resale agreements and securities borrowed and loaned transactions to accommodate customers and earn interest rate spreads (also referred to as "matched-book transactions"), obtain securities for settlement and finance inventory positions. Resale and repurchase agreements are generally accounted for as collateralized financing transactions and may be recorded at their contractual amounts plus accrued interest or at fair value under the fair value option election. In resale and repurchase agreements, typically the termination date of the agreements is before the maturity date of the underlying security. However, in certain situations, Merrill Lynch may enter into agreements where the termination date of the transaction is the same as the maturity date of the underlying security. These transactions are referred to as "repo-to-maturity" transactions. Merrill Lynch accounts for repo-to-maturity transactions as sales in accordance with U.S. GAAP. Repo-to-maturity transactions were not material for the periods presented.

Resale and repurchase agreements recorded at fair value are generally valued based on pricing models that use inputs with observable levels of price transparency. Where the fair value option election has been made, changes in the fair value of resale and repurchase agreements are reflected in principal transactions revenues and the contractual interest coupon is recorded as interest revenue or interest expense, respectively. For further information refer to Note 4.

Resale and repurchase agreements recorded at their contractual amounts plus accrued interest approximate fair value, as the fair value of these items is not materially sensitive to shifts in market interest rates because of the short-term nature of these instruments and/or variable interest rates or to credit risk because the resale and repurchase agreements are fully collateralized.

Merrill Lynch's policy is to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. To ensure that the market value of the underlying collateral remains sufficient, collateral is generally valued daily and Merrill Lynch may require counterparties to deposit additional collateral or may return collateral pledged when appropriate.

Substantially all repurchase and resale activities are transacted under master repurchase agreements that give Merrill Lynch the right, in the event of default, to liquidate collateral held and to offset receivables and payables with the same counterparty. Merrill Lynch offsets certain repurchase and resale agreement balances with the same counterparty on the Condensed Consolidated Balance Sheets.

Merrill Lynch may use securities received as collateral for resale agreements to satisfy regulatory requirements such as Rule 15c3-3 of the Securities Exchange Act of 1934.

Securities borrowed and loaned transactions may be recorded at the amount of cash collateral advanced or received plus accrued interest or at fair value under the fair value option election. Securities borrowed transactions require Merrill Lynch to provide the counterparty with collateral in the form of cash, letters of credit, or other securities. Merrill Lynch receives collateral in the form of cash or other securities for securities loaned transactions. For these transactions, the fees received or paid by Merrill Lynch are recorded as interest revenue or expense. On a daily basis, Merrill Lynch monitors the market value of securities borrowed or loaned against the collateral value, and Merrill Lynch may require counterparties to deposit additional collateral or may return collateral pledged, when appropriate. The carrying value of these instruments approximates fair value as these items are not materially sensitive to shifts in market interest rates because of their short-term nature and/or variable interest rates or to credit risk because securities borrowed and loaned transactions are fully collateralized.

All Merrill Lynch-owned securities pledged to counterparties where the counterparty has the right, by contract or custom, to sell or repledge the securities are disclosed parenthetically in trading assets or, if applicable, in investment securities on the Condensed Consolidated Balance Sheets.

In transactions where Merrill Lynch acts as the lender in a securities lending agreement and receives securities that can be pledged or sold as collateral, it recognizes an asset on the Condensed Consolidated Balance Sheets carried at fair value, representing the securities received (securities received as collateral), and a liability for the same amount, representing the obligation to return those securities (obligation to return securities received as collateral). The amounts on the Condensed Consolidated Balance Sheets result from such non-cash transactions.

Trading Assets and Liabilities

Merrill Lynch's trading activities consist primarily of securities brokerage and trading; derivatives dealing and brokerage; commodities trading and futures brokerage; and securities financing transactions. Trading assets and trading liabilities consist of cash instruments (e.g., securities and loans) and derivative instruments. Trading assets also include commodities inventory. See Note 6 for additional information on derivative instruments.

Trading assets and liabilities are generally recorded on a trade date basis at fair value. Included in trading liabilities are securities that Merrill Lynch has sold but did not own and will therefore be obligated to purchase at a future date ("short sales"). Commodities inventory is recorded at the lower of cost or market value. Changes in fair value of trading assets and liabilities (i.e., unrealized gains and losses) are recognized as principal transactions revenues in the current period. Realized gains and losses and any related interest amounts are included in principal transactions revenues and interest revenues and expenses, depending on the nature of the instrument.

Investment Securities

Investment securities consist of marketable investment securities and non-qualifying investments. Refer to Note 8.

Marketable Investment Securities

ML & Co. and certain of its non-broker-dealer subsidiaries follow the guidance within Investment Accounting for investments in debt and publicly traded equity securities. Merrill Lynch classifies those debt securities that it does not intend to sell as held-to-maturity securities. Held-to-maturity securities are carried at cost unless a decline in value is deemed other-than-temporary, in which case the carrying value is reduced. For Merrill Lynch, the trading classification under Investment Accounting generally includes those securities that are bought and held principally for the purpose of selling them in the near term, securities that are economically hedged, or securities that may contain a bifurcatable embedded derivative as defined in Derivatives Accounting. Securities classified as trading are marked to fair value through earnings. All other qualifying securities are classified as available-for-sale and held at fair value with unrealized gains and losses reported in accumulated other comprehensive income/(loss) ("OCI").

Realized gains and losses on investment securities are included in current period earnings. For purposes of computing realized gains and losses, the cost basis of each investment sold is based on the specific identification method.

Merrill Lynch regularly (at least quarterly) evaluates each held-to-maturity and available-for-sale security whose value has declined below amortized cost to assess whether the decline in fair value is other-than-temporary. A decline in a debt security's fair value is considered to be other-than-temporary if it is probable that all amounts contractually due will not be collected or Merrill Lynch either plans to sell the security or it is more likely than not that it will be required to sell the security before recovery of its amortized cost. For unrealized losses on debt securities that are deemed other-than-temporary, the credit component of an other-than-temporary impairment is recognized in earnings and the noncredit component is recognized in OCI when Merrill Lynch does not intend to sell the security and it is more likely than not that Merrill Lynch will not be required to sell the security prior to recovery.

Merrill Lynch's impairment review generally includes:

- Identifying securities with indicators of possible impairment;
- Analyzing individual securities with fair value less than amortized cost for specific factors including:
    - The estimated length of time to recover from fair value to amortized cost;
    - The severity and duration of the fair value decline from amortized cost;
    - Deterioration in the financial condition of the issuer;
- Discussing evidential matter, including an evaluation of the factors that could cause individual securities to have an other-than-temporary impairment;
- Determining whether Merrill Lynch intends to sell the security or if it is more likely than not that Merrill Lynch will be required to sell the security before recovery of its amortized cost; and
- Documenting the analysis and conclusions.

Non-Qualifying Investments

Non-qualifying investments are those investments that are not within the scope of Investment Accounting and primarily include private equity investments accounted for at fair value and other equity securities carried at cost or under the equity method of accounting.

Private equity investments that are held for capital appreciation and/or current income are accounted for under the Investment Company Guide and carried at fair value. Investments in real estate VIEs that are held by a consolidated real estate fund are also accounted for under the Investment Company Guide and carried at fair value. Additionally, certain private equity investments that are not accounted for under the Investment Company Guide may be carried at fair value under the fair value option election. The carrying value of private equity investments reflects expected exit values based upon market prices or other valuation methodologies including market comparables of similar companies and expected cash flows.

Merrill Lynch has non-controlling investments in the common shares of corporations and in partnerships that do not fall within the scope of Investment Accounting or the Investment Company Guide. Merrill Lynch accounts for these investments using either the cost or the equity method of accounting based on management's ability to influence the investees. See the Consolidation Accounting Policies section of this Note for more information.

For investments accounted for using the equity method, income is recognized based on Merrill Lynch's share of the earnings or losses of the investee. Dividend distributions are generally recorded as reductions in the investment balance. Impairment testing is based on the guidance provided in Equity Method Accounting, and the investment is reduced when an impairment is deemed other-than-temporary.

For investments accounted for at cost, income is recognized as dividends are received. Impairment testing is based on the guidance provided in Investment Accounting, and the cost basis is reduced when an impairment is deemed other-than-temporary.

Loans, Notes and Mortgages, Net

Merrill Lynch's lending and related activities include loan originations, syndications and securitizations. Loan originations include corporate and institutional loans, residential and commercial mortgages, asset-based loans, and other loans to individuals and businesses. Merrill Lynch also engages in secondary market loan trading (see the Trading Assets and Liabilities section within this Note) and margin lending. Loans included in loans, notes, and mortgages are classified for accounting purposes as loans held for investment and loans held for sale. Upon completion of the acquisition of Merrill Lynch by Bank of America, certain loans carried by Merrill Lynch were subject to the requirements of ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("Acquired Impaired Loan Accounting").

Loans held for investment are generally carried at amortized cost, less an allowance for loan losses, which represents Merrill Lynch's estimate of probable losses inherent in its lending activities. The fair value option election has been made for certain held-for-investment loans, notes and mortgages. Merrill Lynch performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess overall collectability. These reviews, which are updated on a quarterly basis, consider a variety of factors including, but not limited to, historical loss experience, estimated defaults, delinquencies, economic conditions, credit scores and the fair value of any underlying collateral. Provisions for loan losses are included in interest and dividend revenue in the Condensed Consolidated Statements of Earnings/(Loss).

Merrill Lynch's estimate of loan losses includes judgment about collectability based on available information at the balance sheet date, and the uncertainties inherent in those underlying assumptions. While management has based its estimates on the best information available, future adjustments to the allowance for loan losses may be necessary as a result of changes in the economic environment or variances between actual results and the original assumptions.

In general, loans that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, including loans that are individually identified as being impaired, are classified as impaired unless well-secured and in the process of collection. Commercial loans whose contractual terms have been restructured in a manner which grants a concession to a borrower experiencing financial difficulties are considered troubled debt restructurings and are classified as impaired until the loans have performed for an adequate period of time under the restructured agreement. Interest accrued but not collected is reversed when a commercial loan is classified as impaired. Interest collections on commercial loans for which the ultimate collectability of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to income when received. Commercial loans may be restored to non-impaired status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

Loans held for sale are carried at lower of cost or fair value. The fair value option election has been made for certain held for sale loans, notes and mortgages. Estimation is required in determining these fair values. The fair value of loans made in connection with commercial lending activity, consisting mainly of senior debt, is primarily estimated using the market value of publicly issued debt instruments when available or discounted cash flows. Merrill Lynch's estimate of fair value for other loans, notes, and mortgages is determined based on the individual loan characteristics. For certain homogeneous categories of loans, including residential mortgages and home equity loans, fair value is estimated using a whole loan valuation or an "as-if" securitized price based on market conditions. An "as-if" securitized price is based on estimated performance of the underlying asset pool collateral, rating agency credit structure assumptions and market pricing for similar securitizations previously executed. Declines in the carrying value of loans held for sale and loans accounted for at fair value under the fair value option election are included in other revenues in the Condensed Consolidated Statements of Earnings/(Loss).

Nonrefundable loan origination fees, loan commitment fees, and “draw down” fees received in conjunction with held for investment loans are generally deferred and recognized over the contractual life of the loan as an adjustment to the yield. If, at the outset, or any time during the term of the loan, it becomes probable that the repayment period will be extended, the amortization is recalculated using the expected remaining life of the loan. When the loan contract does not provide for a specific maturity date, management’s best estimate of the repayment period is used. At repayment of the loan, any unrecognized deferred fee is immediately recognized in earnings. If the loan is accounted for as held for sale, the fees received are deferred and recognized as part of the gain or loss on sale in other revenues. If the loan is accounted for under the fair value option election, the fees are included in the determination of the fair value and included in other revenues.

New Accounting Pronouncements

In March 2010, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance on embedded credit derivatives. This new accounting guidance clarifies the scope exception for embedded credit derivatives and defines which embedded credit derivatives are required to be evaluated for bifurcation and separate accounting. This new accounting guidance is effective on July 1, 2010. The adoption of this new accounting guidance is not expected to have a material impact on Merrill Lynch’s financial position or results of operations.

On January 1, 2010, Merrill Lynch adopted new amendments to Fair Value Accounting. The amendments require disclosure of significant transfers between Level 1 and Level 2 as well as significant transfers in and out of Level 3 on a gross basis. The amendments also clarify existing disclosure requirements regarding the level of disaggregation of fair value measurements and inputs and valuation techniques. The enhanced disclosures required under these amendments are included in Note 4. Beginning January 1, 2011, separate presentation of purchases, sales, issuances and settlements in the Level 3 reconciliation will also be required under the amendments to Fair Value Accounting.

On January 1, 2010, Merrill Lynch adopted new accounting guidance on transfers of financial assets and consolidation of VIEs. This new accounting guidance revises sale accounting criteria for transfers of financial assets, including elimination of the concept of and accounting for QSPEs, and significantly changes the criteria by which an enterprise determines whether it must consolidate a VIE. The adoption of this new accounting guidance resulted in the consolidation of certain VIEs that previously were QSPEs and VIEs that were not recorded on Merrill Lynch’s Consolidated Balance Sheet prior to January 1, 2010. See Note 9 for the initial impact of the new Consolidation Accounting guidance on Merrill Lynch’s Condensed Consolidated Balance Sheet. Application of the new consolidation guidance has been deferred indefinitely for certain investment funds managed on behalf of third parties if Merrill Lynch does not have an obligation to fund losses that could potentially be significant to these funds. Any funds meeting the deferral requirements will continue to be evaluated for consolidation in accordance with the prior guidance.

Note 2. Transactions with Bank of America

Merrill Lynch has entered into various transactions with Bank of America, primarily to integrate certain activities within either Bank of America or Merrill Lynch. Transactions with Bank of America also include various asset and liability transfers and transactions associated with intercompany sales and trading and financing activities.

Sale of U.S. Banks to Bank of America

During 2009, Merrill Lynch sold Merrill Lynch Bank USA ("MLBUSA") and Merrill Lynch Bank & Trust Co., FSB ("MLBT-FSB") to a subsidiary of Bank of America. In both transactions, Merrill Lynch sold the shares of the respective entity to Bank of America. The sale price of each entity was equal to its net book value as of the date of transfer. Consideration for the sale of MLBUSA was in the form of an $8.9 billion floating rate demand note payable from Bank of America to Merrill Lynch, while MLBT-FSB was sold for cash of approximately $4.4 billion. The demand note received by Merrill Lynch in connection with the MLBUSA sale had a stated interest rate that was a market rate at the time of sale.

The MLBUSA sale was completed on July 1, 2009, and the sale of MLBT-FSB was completed on November 2, 2009. After each sale was completed, MLBUSA and MLBT-FSB were merged into Bank of America, N.A., a subsidiary of Bank of America.

Acquisition of BAI from Bank of America

In October 2009, Bank of America contributed the shares of BAI, one of its wholly-owned broker-dealer subsidiaries, to ML & Co. Subsequent to the transfer, BAI was merged into Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), a wholly-owned broker-dealer subsidiary of ML & Co. The net amount contributed by Bank of America to ML & Co. was equal to BAI's net book value of approximately $263 million. In accordance with Business Combinations Accounting, Merrill Lynch's results of operations for the year ended December 31, 2009 include the results of BAI as if the contribution from Bank of America had occurred on January 1, 2009. BAI's impact on Merrill Lynch's 2009 pre-tax earnings and net earnings was not material.

Asset and Liability Transfers

Subsequent to the Bank of America acquisition, certain assets and liabilities were transferred at fair value between Merrill Lynch and Bank of America. These transfers were made in connection with the integration of certain trading activities with Bank of America and efforts to manage risk in a more effective and efficient manner at the consolidated Bank of America level. During the six months ended June 30, 2010, such asset or liability transfers were not significant. During the six months ended June 30, 2009, Merrill Lynch transferred approximately $47 billion each of assets and liabilities to Bank of America and Bank of America transferred approximately $40 billion of assets and $18 billion of liabilities to Merrill Lynch. In the future, Merrill Lynch and Bank of America may continue to transfer certain assets and liabilities to (and from) each other.

In addition to these transfers, during the six months ended June 30, 2010, Merrill Lynch sold approximately $11 billion of available-for-sale securities to Bank of America.

Other Related Party Transactions

Merrill Lynch has entered into various other transactions with Bank of America, primarily in connection with certain sales and trading and financing activities. Details on amounts receivable from and payable to Bank of America as of June 30, 2010 and December 31, 2009 are presented below:

Receivables from Bank of America are comprised of:

(dollars in millions)	June 30, 2010	December 31, 2009
Cash and cash equivalents	$ 16,223	$ 8,265
Cash and securities segregated for regulatory purposes	5,817	3,000
Receivables under resale agreements and securities borrowed transactions	5,978	77
Trading assets	953	700
Intercompany Funding Receivable	3,101	5,778
Other receivables	2,067	2,682
Other assets	225	117
Total	$ 34,364	$ 20,619

Payables to Bank of America are comprised of:

(dollars in millions)	June 30, 2010	December 31, 2009
Payables under repurchase agreements	$ 12,432	$ 8,307
Payables under securities loaned transactions	8,144	10,326
Short term borrowings	18	-
Deposits	32	35
Trading liabilities	282	718
Other payables	4,676	4,164
Total	$ 25,584	$ 23,550

Total net revenues and non-interest expenses related to transactions with Bank of America for the three and six months ended June 30, 2010 were $79 million and $142 million, and $439 million and $314 million, respectively. Net revenues for the six months ended June 30, 2010 included a realized gain of approximately $280 million from the sale of approximately $11 billion of available-for-sale securities to Bank of America. Total net revenues and non-interest expenses related to transactions with Bank of America for the three and six months ended June 30, 2009 were $142 million and $27 million, and $211 million and $54 million, respectively.

Note 3. Segment and Geographic Information

Segment Information

Prior to the acquisition by Bank of America, Merrill Lynch's operations were organized and reported as two operating segments in accordance with the criteria in ASC 280, *Segment Reporting* ("Segment Reporting"): Global Markets and Investment Banking ("GMI") and Global Wealth Management ("GWM").

As a result of the acquisition by Bank of America, Merrill Lynch reevaluated the provisions of Segment Reporting in the first quarter of 2009. Pursuant to Segment Reporting, operating segments represent components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in determining how to allocate resources and in assessing performance. Based upon how the chief operating decision maker of Merrill Lynch reviews results in terms of allocating resources and assessing performance, it was determined that

Merrill Lynch does not contain any identifiable operating segments under Segment Reporting. As a result, the financial information of Merrill Lynch is presented as a single segment.

Geographic Information

Merrill Lynch conducts its business activities through offices in the following five regions:

- United States;
- Europe, Middle East, and Africa ("EMEA");
- Pacific Rim;
- Latin America; and
- Canada.

The principal methodologies used in preparing the geographic information below are as follows:

- Revenues are generally recorded based on the location of the employee generating the revenue; and
- Intercompany transfers are based primarily on service agreements.

The information that follows, in management's judgment, provides a reasonable representation of each region's contribution to the consolidated net revenues:

(dollars in millions)	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Revenues, net of interest expense				
Europe, Middle East, and Africa	$ 611	$ 2,732	$ 1,130	$ 3,065
Pacific Rim	322	1,100	588	1,394
Latin America	240	580	162	397
Canada	55	128	62	114
Total Non-U.S.	1,228	4,540	1,942	4,970
United States (1)(2)	4,489	8,704	107	7,374
Total revenues, net of interest expense	$ 5,717	$ 13,244	$ 2,049	$ 12,344

(1) U.S. results for the three and six months ended June 30, 2010 included gains of $1.2 billion and $1.4 billion, respectively, due to the impact of the widening of Merrill Lynch's credit spreads on the carrying values of certain long-term borrowings, primarily structured notes. U.S. results for the three and six months ended June 30, 2009 included net losses of $3.6 billion and $1.4 billion, respectively, due to the impact of the narrowing of Merrill Lynch's credit spreads on the carrying values of certain long-term borrowings, primarily structured notes.

(2) Corporate net revenues and adjustments are reflected in the U.S. region.

Note 4. Fair Value Disclosures

Fair Value Accounting

Fair Value Hierarchy

In accordance with Fair Value Accounting, Merrill Lynch has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial assets and liabilities recorded on the Condensed Consolidated Balance Sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1. Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that Merrill Lynch has the ability to access (examples include active exchange-traded equity securities, exchange-traded derivatives, U.S. Government securities, and certain other sovereign government obligations).

Level 2. Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

a) Quoted prices for similar assets or liabilities in active markets (examples include restricted stock and U.S. agency securities);

b) Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which can trade infrequently);

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and

d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage-related assets, including loans, securities and derivatives).

Level 3. Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's view about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, certain residential and commercial mortgage-related assets and long-dated or complex derivatives).

As required by Fair Value Accounting, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore gains and losses for such assets and liabilities categorized within the Level 3 reconciliation below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Further, the following reconciliations do not take into consideration the offsetting effect of Level 1 and 2 financial instruments entered into by Merrill Lynch that economically hedge certain exposures to the Level 3 positions.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Level 3 gains and losses represent amounts incurred during the period in which the instrument was classified as Level 3. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in or transfers out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur. Refer to the recurring and non-recurring sections within this Note for further information on transfers in and out of Level 3.

Transfers between Level 1 and Level 2 assets and liabilities were not significant for the quarter ended June 30, 2010.

Valuation Techniques

The following outlines the valuation methodologies for Merrill Lynch's material categories of assets and liabilities:

U.S. Government and agencies

U.S. treasury securities U.S. treasury securities are valued using quoted market prices and are generally classified as Level 1 in the fair value hierarchy.

U.S. agency securities U.S. agency securities are comprised of two main categories consisting of agency issued debt and mortgage pass-throughs. Agency issued debt securities are generally valued using quoted market prices. Mortgage pass-throughs include To-be-announced ("TBA") securities and mortgage pass-through certificates. TBA securities are generally valued using quoted market prices. The fair value of mortgage pass-through certificates are model driven based on the comparable TBA security. Agency issued debt securities and mortgage pass-throughs are generally classified as Level 2 in the fair value hierarchy.

Non-U.S. governments and agencies

Sovereign government obligations are valued using quoted prices in active markets when available. To the extent quoted prices are not available, fair value is determined based on reference to recent trading activity and quoted prices of similar securities. These securities are generally classified in Level 1 or Level 2 in the fair value hierarchy, primarily based on the issuing country.

Municipal debt

Municipal bonds The fair value of municipal bonds is calculated using recent trade activity, market price quotations and new issuance levels. In the absence of this information, fair value is calculated using comparable bond credit spreads. Current interest rates, credit events, and individual bond characteristics such as coupon, call features, maturity, and revenue purpose are considered in the valuation process. The majority of these bonds are classified as Level 2 in the fair value hierarchy.

Auction Rate Securities ("ARS") Merrill Lynch holds investments in certain ARS, including student loan and municipal ARS. Student loan ARS are comprised of various pools of student loans. Municipal ARS are issued by states and municipalities for a wide variety of purposes, including but not limited to healthcare, industrial development, education and transportation infrastructure. The fair value of the student loan ARS is calculated using a pricing model that relies upon a number of assumptions including weighted average life, coupon, discount margin and liquidity discounts. The fair value of the municipal ARS is calculated based upon projected refinancing and spread assumptions. In both cases, recent trades and issuer tenders are considered in the valuations. Student loan ARS and municipal ARS are classified as Level 3 in the fair value hierarchy.

Corporate and other debt

Corporate bonds Corporate bonds are valued based on either the most recent observable trade and/or external quotes, depending on availability. The most recent observable trade price is given highest priority as the valuation benchmark based on an evaluation of transaction date, size, frequency, and bid-offer. This price may be adjusted by bond or credit default swap spread movement. When credit default swap spreads are referenced, cash-to-synthetic basis magnitude and movement as well as maturity matching are incorporated into the value. When neither external quotes nor a recent trade is available, the bonds are valued using a discounted cash flow approach based on risk parameters of comparable securities. In such cases, the potential pricing difference in spread and/or price terms with the traded comparable is considered. Corporate bonds are generally classified as Level 2 or Level 3 in the fair value hierarchy.

Corporate loans and commitments The fair values of corporate loans and loan commitments are based on market prices and most recent transactions when available. When not available, a discounted cash flow valuation approach is applied using market-based credit spreads of comparable debt instruments, recent new issuance activity or relevant credit derivatives with appropriate cash-to-synthetic basis adjustments. Corporate loans and commitments are generally classified as Level 2 in the fair value hierarchy. Certain corporate loans, particularly those related to emerging market, leveraged and distressed companies have limited price transparency. These loans are generally classified as Level 3 in the fair value hierarchy.

Mortgages, mortgage-backed and asset-backed

Residential Mortgage-Backed Securities ("RMBS"), Commercial Mortgage-Backed Securities ("CMBS"), and other Asset-Backed Securities ("ABS") RMBS, CMBS and other ABS are valued based on observable price or credit spreads for the particular security, or when price or credit spreads are not observable, the valuation is based on prices of comparable bonds or the present value of expected future cash flows. Valuation levels of RMBS and CMBS indices are used as an additional data point for benchmarking purposes or to price outright index positions.

When estimating the fair value based upon the present value of expected future cash flows, Merrill Lynch uses its best estimate of the key assumptions, including forecasted credit losses, prepayment rates, forward yield curves and discount rates commensurate with the risks involved, while also taking into account performance of the underlying collateral.

RMBS, CMBS and other ABS are classified as Level 3 in the fair value hierarchy if external prices or credit spreads are unobservable or if comparable trades/assets involve significant subjectivity related to property type differences, cash flows, performance and other inputs; otherwise, they are classified as Level 2 in the fair value hierarchy.

Equities

Exchange-Traded Equity Securities Exchange-traded equity securities are generally valued based on quoted prices from the exchange. To the extent these securities are actively traded, they are classified as Level 1 in the fair value hierarchy, otherwise they are classified as Level 2.

Derivative contracts

Listed Derivative Contracts Listed derivatives that are actively traded are generally valued based on quoted prices from the exchange and are classified as Level 1 of the fair value hierarchy. Listed derivatives that are not actively traded are valued using the same approaches as those applied to OTC derivatives; they are generally classified as Level 2 in the fair value hierarchy.

OTC Derivative Contracts OTC derivative contracts include forwards, swaps and options related to interest rate, foreign currency, credit, equity or commodity underlyings.

The fair value of OTC derivatives is derived using market prices and other market based pricing parameters such as interest rates, currency rates and volatilities that are observed directly in the market or gathered from independent sources such as dealer consensus pricing services or brokers. Where models are used, they are used consistently and reflect the contractual terms of and specific risks inherent in the contracts. Generally, the models do not require a high level of subjectivity since the valuation techniques used in the models do not require significant judgment and inputs to the models are readily observable in active markets. When appropriate, valuations are adjusted for various factors such as liquidity and credit considerations based on available market evidence. The majority of OTC derivative contracts are classified as Level 2 in the fair value hierarchy.

OTC derivative contracts that do not have readily observable market based pricing parameters are classified as Level 3 in the fair value hierarchy. Examples of derivative contracts classified within Level 3 include contractual obligations that have tenures that extend beyond periods in which inputs to the model would be observable, exotic derivatives with significant inputs into a valuation model that are less transparent in the market and certain credit default swaps ("CDS") referenced to mortgage-backed securities.

For example, derivative instruments, such as certain CDS referenced to RMBS, CMBS, ABS and collateralized debt obligations ("CDOs"), are valued based on the underlying mortgage risk given that these instruments are not actively quoted. Inputs to the valuation will include available information on similar underlying loans or securities in the cash market. The prepayments and loss assumptions on the underlying loans or securities are estimated using a combination of historical data, prices on recent market transactions, relevant observable market indices such as the ABX or CMBX and prepayment and default scenarios and analyses.

<u>CDOs</u> The fair value of CDOs is derived from a referenced basket of CDS, the CDO's capital structure, and the default correlation, which is an input to a proprietary CDO valuation model. The underlying CDO portfolios typically contain investment grade as well as non-investment grade obligors. After adjusting for differences in risk profile, the correlation parameter for an actual transaction is estimated by benchmarking against observable standardized index tranches and other comparable transactions. CDOs are classified as either Level 2 or Level 3 in the fair value hierarchy.

Investment securities non-qualifying

<u>Investments in Private Equity, Real Estate and Hedge Funds</u> Merrill Lynch has investments in numerous asset classes, including: direct private equity, private equity funds, hedge funds and real estate funds. Valuing these investments requires significant management judgment due to the nature of the assets and the lack of quoted market prices and liquidity in these assets. Initially, the transaction price of the investment is generally considered to be the best indicator of fair value. Thereafter, valuation of direct investments is based on an assessment of each individual investment using various methodologies, which include publicly traded comparables derived by multiplying a key performance metric (e.g., earnings before interest, taxes, depreciation and amortization) of the portfolio company by the relevant valuation multiple observed for comparable companies, acquisition comparables, entry level multiples and discounted cash flows. These valuations are subject to appropriate discounts for lack of liquidity or marketability. Certain factors which may influence changes to fair value include but are not limited to, recapitalizations, subsequent rounds of financing, and offerings in the equity or debt capital markets. For fund investments, Merrill Lynch generally records the fair value of its proportionate interest in the fund's capital as reported by the fund's respective managers.

Publicly traded private equity investments are primarily classified as either Level 1 or Level 2 in the fair value hierarchy. Level 2 classifications generally include those publicly traded equity investments that have a legal or contractual transfer restriction. All other investments are classified as Level 3 in the fair value hierarchy due to infrequent trading and/or unobservable market prices.

Resale and repurchase agreements

Merrill Lynch elected the fair value option for certain resale and repurchase agreements. For such agreements, the fair value is estimated using a discounted cash flow model which incorporates inputs such as interest rate yield curves and option volatility. Resale and repurchase agreements for which the fair value option has been elected are generally classified as Level 2 in the fair value hierarchy.

Long-term and short term borrowings

Merrill Lynch and its consolidated VIEs issue structured notes that have coupons or repayment terms linked to the performance of debt or equity securities, indices, currencies or commodities. The fair value of structured notes is estimated using valuation models for the combined derivative and debt portions of the notes when the fair value option has been elected. These models incorporate observable and in some instances unobservable inputs including security prices, interest rate yield curves, option volatility, currency, commodity or equity rates and correlations between these inputs. The impact of Merrill Lynch's own credit spreads is also included based on Merrill Lynch's observed secondary bond market spreads. Structured notes are classified as either Level 2 or Level 3 in the fair value hierarchy.

Recurring Fair Value

The following tables present Merrill Lynch's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009, respectively.

	Fair Value Measurements on a Recurring Basis as of June 30, 2010				
(dollars in millions)	Level 1	Level 2	Level 3	Netting Adj[(1)]	Total
Assets:					
Securities segregated for regulatory purposes or deposited with clearing organizations:					
Equities	$ -	$ 127	$ -	$ -	$ 127
Corporate debt	-	507	-	-	507
Non-U.S. governments and agencies	856	1,018	-	-	1,874
U.S. Government and agencies	475	1,599	-	-	2,074
Total securities segregated for regulatory purposes or deposited with clearing organizations	1,331	3,251	-	-	4,582
Receivables under resale agreements	-	45,030	-	-	45,030
Receivables under securities borrowed transactions	-	1,349	-	-	1,349
Trading assets, excluding derivative contracts:					
Equities	18,516	7,101	251	-	25,868
Convertible debentures	-	4,701	-	-	4,701
Non-U.S. governments and agencies	26,179	3,008	930	-	30,117
Corporate debt	-	10,809	5,402		16,211
Preferred stock	-	322	188	-	510
Mortgages, mortgage-backed and asset-backed	-	1,656	5,860	-	7,516
U.S. Government and agencies	2,924	340	-	-	3,264
Municipals and money markets	721	7,929	3,116	-	11,766
Physical commodities and other	-	769	-	-	769
Total trading assets, excluding derivative contracts	48,340	36,635	15,747	-	100,722
Derivative contracts[(2)]	610	731,879	16,999	(702,757)	46,731
Investment securities available-for-sale:					
Mortgage-backed securities — agency collateralized mortgage obligations	-	743	-	-	743
Mortgage-backed securities — non-agency MBSs	-	639	352	-	991
Total investment securities available-for-sale	-	1,382	352	-	1,734
Investment securities non-qualifying	2,053	445	4,128	-	6,626
Total investment securities	2,053	1,827	4,480	-	8,360
Securities received as collateral	20,479	473	-	-	20,952
Loans, notes and mortgages	-	373	3,152	-	3,525

(dollars in millions)	Level 1	Level 2	Level 3	Netting Adj(1)	Total
	Fair Value Measurements on a Recurring Basis as of June 30, 2010				
Liabilities:					
Payables under repurchase agreements	$ -	$ 42,614	$ -	$ -	$ 42,614
Short-term borrowings	-	6,752	-	-	6,752
Trading liabilities, excluding derivative contracts:					
Equities	17,053	1,455	-	-	18,508
Convertible debentures	-	828	-	-	828
Non-U.S. governments and agencies	20,646	1,105	7	-	21,758
Corporate debt	-	3,261	-	-	3,261
U.S. Government and agencies	2,220	-	-	-	2,220
Municipals, money markets and other	397	135	-	-	532
Total trading liabilities, excluding derivative contracts	40,316	6,784	7	-	47,107
Derivative contracts(2)	541	729,531	10,409	(702,602)	37,879
Obligation to return securities received as collateral	20,479	473	-	-	20,952
Other payables — interest and other	-	30	154	-	184
Long-term borrowings	-	35,582	4,006	-	39,588

(1) Represents counterparty and cash collateral netting.
(2) Refer to Note 6 for product level detail.

Level 3 derivative contracts (assets) primarily relate to derivative positions on U.S. ABS CDOs and other mortgage products of $6.6 billion, $5.8 billion of other credit derivatives that incorporate unobservable correlation, and $4.5 billion of equity, currency, interest rate and commodity derivatives that are long-dated and/or have unobservable model valuation inputs (e.g., unobservable correlation).

Level 3 non-qualifying investment securities primarily relate to certain private equity positions.

Level 3 loans, notes and mortgages primarily relate to residential mortgage and corporate loans.

Level 3 derivative contracts (liabilities) primarily relate to derivative positions on U.S. ABS CDOs and other mortgage products of $4.0 billion, $2.0 billion of other credit derivatives that incorporate unobservable correlation, and $4.3 billion of equity, currency, interest rate and commodity derivatives that are long-dated and/or have unobservable model valuation inputs (e.g., unobservable correlation).

Level 3 long-term borrowings primarily relate to equity-linked structured notes of $2.6 billion that are long-dated and/or have unobservable model valuation inputs (e.g., unobservable correlation) and non-recourse borrowings issued by consolidated VIEs of $1.0 billion that hold Level 3 residential mortgages.

(dollars in millions)	Level 1	Level 2	Level 3	Netting Adj(1)	Total
	Fair Value Measurements on a Recurring Basis as of December 31, 2009				
Assets:					
Securities segregated for regulatory purposes or deposited with clearing organizations:					
Mortgages, mortgage-backed and asset-backed	$ -	$ 5,525	$ -	$ -	$ 5,525
Corporate debt	-	579	-	-	579
Non-U.S. governments and agencies	946	893	-	-	1,839
U.S. Government and agencies	1,046	1,541	-	-	2,587
Total securities segregated for regulatory purposes or deposited with clearing organizations	1,992	8,538	-	-	10,530
Receivables under resale agreements	-	41,740	-	-	41,740
Receivables under securities borrowed transactions	-	2,888	-	-	2,888
Trading assets, excluding derivative contracts:					
Equities	23,083	6,297	259	-	29,639
Convertible debentures	-	4,862	-	-	4,862
Non-U.S. governments and agencies	17,407	2,718	1,131	-	21,256
Corporate debt	-	9,241	6,540	-	15,781
Preferred stock	-	436	562	-	998
Mortgages, mortgage-backed and asset-backed	-	1,680	6,291	-	7,971
U.S. Government and agencies	979	479	-	-	1,458
Municipals and money markets	798	5,181	2,148	-	8,127
Physical commodities and other	-	651	-	-	651
Total trading assets, excluding derivative contracts	42,267	31,545	16,931	-	90,743
Derivative contracts	2,218	658,264	17,939	(628,839)	49,582
Investment securities available-for-sale:					
Mortgage-backed securities — agency collateralized mortgage obligations	-	9,688	-	-	9,688
Mortgage-backed securities — non-agency MBSs	-	1,132	473	-	1,605
Total investment securities available-for-sale	-	10,820	473	-	11,293
Investment securities non-qualifying	2,027	451	3,696	-	6,174
Total investment securities	2,027	11,271	4,169	-	17,467
Securities received as collateral	15,780	566	-	-	16,346
Loans, notes and mortgages	-	654	4,115	-	4,769
Liabilities:					
Payables under repurchase agreements	-	37,325	-	-	37,325
Short-term borrowings	-	813	-	-	813
Trading liabilities, excluding derivative contracts:					
Equities	12,051	1,069	-	-	13,120
Convertible debentures	-	534	-	-	534
Non-U.S. governments and agencies	12,028	430	386	-	12,844
Corporate debt	-	1,903	-	-	1,903
U.S. Government and agencies	1,296	-	-	-	1,296
Municipals, money markets and other	273	370	-	-	643
Total trading liabilities, excluding derivative contracts	25,648	4,306	386	-	30,340
Derivative contracts	1,727	662,629	11,073	(640,309)	35,120
Obligation to return securities received as collateral	15,780	566	-	-	16,346
Other payables — interest and other	-	54	186	-	240
Long-term borrowings	-	42,357	4,683	-	47,040

(1) Represents counterparty and cash collateral netting.

Level 3 derivative contracts (assets) primarily relate to derivative positions on U.S. ABS CDOs and other mortgage products of $7.5 billion, $5.0 billion of other credit derivatives that incorporate unobservable correlation, and $5.4 billion of equity, currency, interest rate and commodity derivatives that are long-dated and/or have unobservable model valuation inputs (e.g., unobservable correlation).

Level 3 non-qualifying investment securities primarily relate to certain private equity positions.

Level 3 loans, notes and mortgages primarily relate to residential mortgage and corporate loans.

Level 3 derivative contracts (liabilities) primarily relate to derivative positions on U.S. ABS CDOs and other mortgage products of $4.1 billion, $2.2 billion of other credit derivatives that incorporate unobservable correlation, and $4.8 billion of equity, currency, interest rate and commodity derivatives that are long-dated and/or have unobservable model valuation inputs (e.g., unobservable correlation).

Level 3 long-term borrowings primarily relate to equity-linked structured notes of $3.6 billion that are long-dated and/or have unobservable model valuation inputs (e.g., unobservable correlation).

The following tables provide a summary of changes in fair value of Merrill Lynch's Level 3 financial assets and liabilities for the three and six months ended June 30, 2010 and June 30, 2009.

(dollars in millions)

	Level 3 Financial Assets and Liabilities Three Months Ended June 30, 2010									
		Total Realized and Unrealized Gains or (Losses) included in Income								
	Beginning Balance	Principal Transactions	Other Revenue	Interest	Total Realized and Unrealized Gains or (Losses) included in Income	Unrealized Gains to OCI	Purchases, Issuances and Settlements	Transfers in	Transfers out	Ending Balance
Assets:										
Trading assets, excluding derivative contracts:										
Equities	$ 245	$ (12)	$ -	$ -	$ (12)	$ -	$ (20)	$ 38	$ -	$ 251
Non-U.S. governments and agencies	1,056	(76)	-	-	(76)	-	(51)	4	(3)	930
Corporate debt	6,026	(76)	-	-	(76)	-	(657)	287	(178)	5,402
Preferred stock	210	(23)	-	-	(23)	-	2	-	(1)	188
Mortgages, mortgage-backed and asset-backed	6,399	56	-	-	56	-	(723)	361	(233)	5,860
Municipals and money markets	2,819	(1)	-	-	(1)	-	251	160	(113)	3,116
Total trading assets, excluding derivative contracts	16,755	(132)	-	-	(132)	-	(1,198)	850	(528)	15,747
Derivative contracts, net	7,280	(217)	-	-	(217)	-	(18)	(520)	65	6,590
Investment securities available-for-sale:										
Mortgage-backed securities - residential non-agency MBSs	585	-	(47)	-	(47)	(25)	(152)	3	(12)	352
Total investment securities available-for-sale	585	-	(47)	-	(47)	(25)	(152)	3	(12)	352
Investment securities non-qualifying	3,490	-	848	-	848	-	(210)	-	-	4,128
Total investment securities	4,075	-	801	-	801	(25)	(362)	3	(12)	4,480
Loans, notes and mortgages	3,532	-	10	45	55	-	(435)	-	-	3,152
Liabilities:										
Trading liabilities, excluding derivative contracts:										
Non-U.S. governments and agencies	369	-	2	-	2	-	9	-	(369)	7
Total trading liabilities, excluding derivative contracts	369	-	2	-	2	-	9	-	(369)	7
Other liabilities — interest and other	148	-	(19)	-	(19)	-	(13)	-	-	154
Long-term borrowings	4,519	472	113	-	585	-	(249)	545	(224)	4,006

Other revenue related to investment securities non-qualifying primarily represents net gains on certain private equity investments.

Transfers in for net derivative contracts are primarily due to a lack of price observability for certain credit default and total return swap liabilities related to CDO positions.

Transfers in and transfers out related to long-term borrowings are primarily due to changes in the impact of unobservable inputs on the value of certain equity-linked structured notes.

(dollars in millions)

	Level 3 Financial Assets and Liabilities Six Months Ended June 30, 2010									
		Total Realized and Unrealized Gains or (Losses) included in Income								
	Beginning Balance	Principal Transactions	Other Revenue	Interest	Total Realized and Unrealized Gains or (Losses) included in Income	Unrealized Gains to OCI	Purchases, Issuances and Settlements	Transfers in	Transfers out	Ending Balance
Assets:										
Trading assets, excluding derivative contracts:										
Equities	$ 259	$ (10)	$ -	$ -	$ (10)	$ -	$ (27)	$ 69	$ (40)	$ 251
Non-U.S. governments and agencies	1,131	(159)	-	-	(159)	-	(79)	91	(54)	930
Corporate debt	6,540	136	-	-	136	-	(1,264)	587	(597)	5,402
Preferred stock	562	(25)	-	-	(25)	-	(348)	-	(1)	188
Mortgages, mortgage-backed and asset-backed	6,291	(4)	-	-	(4)	-	(413)	383	(397)	5,860
Municipals and money markets	2,148	16	-	-	16	-	(169)	1,234	(113)	3,116
Total trading assets, excluding derivative contracts	16,931	(46)	-	-	(46)	-	(2,300)	2,364	(1,202)	15,747
Derivative contracts, net	6,866	(636)	-	-	(636)	-	(153)	509	4	6,590
Investment securities available-for-sale:										
Mortgage-backed securities - residential non-agency MBSs	473	-	(67)	24	(43)	(52)	(69)	55	(12)	352
Total investment securities available-for-sale	473	-	(67)	24	(43)	(52)	(69)	55	(12)	352
Investment securities non-qualifying	3,696	-	1,211	-	1,211	-	(644)	-	(135)	4,128
Total investment securities	4,169	-	1,144	24	1,168	(52)	(713)	55	(147)	4,480
Loans, notes and mortgages	4,115	-	(141)	91	(50)	-	(913)	-	-	3,152
Liabilities:										
Trading liabilities, excluding derivative contracts:										
Non-U.S. governments and agencies	386	21	2	-	23	-	24	-	(380)	7
Total trading liabilities, excluding derivative contracts	386	21	2	-	23	-	24	-	(380)	7
Other liabilities — interest and other	186	-	11	-	11	-	(21)	-	-	154
Long-term borrowings	4,683	595	192	-	787	-	203	816	(909)	4,006

Other revenue related to investment securities non-qualifying primarily represents net gains on certain private equity investments.

Decreases in purchases, issuances and settlements related to corporate debt primarily relates to the sale of certain positions (e.g., ARS) during the first and second quarter of 2010.

Transfers in for municipals and money markets relates to reduced price transparency (e.g., lower trading activity) for municipal ARS. Transfers in and transfers out related to long-term borrowings are primarily due to changes in the impact of unobservable inputs on the value of certain equity-linked structured notes.

(dollars in millions)

	Level 3 Financial Assets and Liabilities Three Months Ended June 30, 2009								
		Total Realized and Unrealized Gains or (Losses) included in Income							
	Beginning Balance	Principal Transactions	Other Revenue	Interest	Total Realized and Unrealized Gains or (Losses) included in Income	Unrealized Gains to OCI	Purchases, Issuances and Settlements	Transfers in (out)	Ending Balance
Assets:									
Trading assets, excluding derivative contracts:									
Equities	$ 379	$ (4)	$ -	$ -	$ (4)	$ -	$ (12)	$ (33)	$ 330
Mortgages, mortgage-backed and asset-backed	7,399	(82)	-	-	(82)	-	2,957	(3,098)	7,176
Corporate debt	5,499	245	-	-	245	-	(1,093)	(647)	4,004
Preferred stock	6,759	(81)	-	-	(81)	-	(87)	-	6,591
Non-U.S. governments and agencies	601	79	-	-	79	-	11	-	691
Municipals and money markets	1,046	(64)	-	-	(64)	-	(51)	-	931
Total trading assets, excluding derivative contracts	21,683	93	-	-	93	-	1,725	(3,778)	19,723
Derivative contracts, net	3,868	(820)	-	-	(820)	-	(361)	3,561	6,248
Investment securities trading:					-				
Mortgages, mortgage-backed and asset-backed	38	1	-	-	1	-	(2)	1	38
Corporate debt	146	-	-	-	-	-	-	(146)	-
Non-U.S. governments and agencies	-	-	-	-	-	-	-	174	174
Total investment securities trading	184	1	-	-	1	-	(2)	29	212
Investment securities available-for-sale:									
Mortgage-backed securities — non-agency MBSs	3,193	-	(274)	-	(274)	662	(418)	64	3,227
Total investment securities available-for-sale	3,193	-	(274)	-	(274)	662	(418)	64	3,227
Investment securities non-qualifying	2,494	-	327	-	327	-	-	11	2,832
Total investment securities	5,871	1	53	-	54	662	(420)	104	6,271
Loans, notes and mortgages	6,144	-	975	-	975	-	(860)	(174)	6,085
Liabilities:									
Trading liabilities, excluding derivative contracts:									
Non-U.S. governments and agencies	326	(26)	-	-	(26)	-	-	-	352
Total trading liabilities, excluding derivative contracts	326	(26)	-	-	(26)	-	-	-	352
Other payables — interest and other	999	-	278	-	278	-	(54)	(39)	628
Long-term borrowings	8,049	(1,065)	(47)	-	(1,112)	-	(370)	(3,502)	5,289

Net losses in principal transactions related to long-term borrowings were primarily due to the narrowing of Merrill Lynch's credit spreads on certain equity linked notes.

Increases in purchases, issuances and settlements related to mortgages, mortgage-backed and asset-backed securities are primarily the result of purchases by a special purpose entity ("SPE") which is consolidated by Merrill Lynch. Decreases in purchases, issuances and settlements related to corporate debt are primarily due to sales of positions during the second quarter of 2009.

Net transfers out for mortgages, mortgage-backed and asset-backed securities primarily relates to increased price verification (e.g. external vendor quotes and trading activity) for certain U.S. ABS CDO underlying collateral types. Net transfers in for net derivative contracts primarily relates to decreased price verification for certain underlying U.S. ABS CDOs and other mortgage positions. Net transfers out for long-term borrowings were primarily due to decreases in the significance of unobservable pricing inputs for certain equity linked notes.

(dollars in millions)

	Level 3 Financial Assets and Liabilities Six Months Ended June 30, 2009								
		Total Realized and Unrealized Gains or (Losses) included in Income							
	Beginning Balance	Principal Transactions	Other Revenue	Interest	Total Realized and Unrealized Gains or (Losses) included in Income	Unrealized Gains to OCI	Purchases, Issuances and Settlements	Transfers in (out)	Ending Balance
Assets:									
Trading assets, excluding derivative contracts:									
Equities	$ 231	$ (22)	$ -	$ -	$ (22)	$ -	$ 172	$ (51)	$ 330
Mortgages, mortgage-backed and asset-backed	7,568	(332)	-	-	(332)	-	2,368	(2,428)	7,176
Corporate debt	10,149	(230)	-	-	(230)	-	(1,487)	(4,428)	4,004
Preferred stock	3,344	(190)	-	-	(190)	-	3,332	105	6,591
Non-U.S. governments and agencies	30	64	-	-	64	-	10	587	691
Municipals and money markets	798	-	-	-	-	-	146	(13)	931
Total trading assets, excluding derivative contracts	22,120	(710)	-	-	(710)	-	4,541	(6,228)	19,723
Derivative contracts, net	2,307	93	-	-	93	-	80	3,768	6,248
Investment securities trading:					-				
Mortgages, mortgage-backed and asset-backed	22	(10)	-	-	(10)	-	(4)	30	38
Corporate debt	146	(9)	-	-	(9)	-	-	(137)	-
Non-U.S. governments and agencies	-	-	-	-	-	-	-	174	174
Total investment securities trading	168	(19)	-	-	(19)	-	(4)	67	212
Investment securities available-for-sale:									
Mortgage-backed securities — non- agency MBSs	350	-	(274)	178	(96)	1,311	(510)	2,172	3,227
Total investment securities available-for-sale	350	-	(274)	178	(96)	1,311	(510)	2,172	3,227
Investment securities non-qualifying	2,761	-	148	-	148	-	(23)	(54)	2,832
Total investment securities	3,279	(19)	(126)	178	33	1,311	(537)	2,185	6,271
Loans, notes and mortgages	359	-	509	-	509	-	(594)	5,811	6,085
Liabilities:									
Trading liabilities, excluding derivative contracts:									
Non-U.S. governments and agencies	-	(4)	-	-	(4)	-	-	348	352
Total trading liabilities, excluding derivative contracts	-	(4)	-	-	(4)	-	-	348	352
Other payables — interest and other	-	-	670	-	670	-	-	1,298	628
Long-term borrowings	7,480	(1,564)	(40)	-	(1,604)	-	33	(3,828)	5,289

Net losses in principal transactions related to long-term borrowings were primarily due to the narrowing of Merrill Lynch's credit spreads on certain equity linked notes.

Increases in purchases, issuances and settlements related to mortgages, mortgage-backed and asset-backed securities are primarily the result of purchases by an SPE which is consolidated by Merrill Lynch. Decreases in purchases, issuances and settlements related to corporate debt are primarily due to sales of positions during the second quarter of 2009. Increases in purchases, issuances and settlements of preferred stock were primarily attributable to the purchase of ARS in the first quarter of 2009.

Net transfers out for mortgages, mortgage-backed and asset-backed securities primarily relates to increased price verification (e.g. external vendor quotes and trading activity) for certain U.S. ABS CDO underlying collateral types. Net transfers out for corporate debt primarily relates to the reclassification in the first quarter of 2009 of certain loans from trading assets to loans, notes and mortgages held for investment, which are not measured at fair value. Net transfers in for net derivative contracts primarily relates to decreased price verification for certain underlying U.S. ABS CDOs and other mortgage positions. Net transfers in for available-for-sale mortgage-backed securities — non agency MBSs is the result of changes in price transparency. Net transfers in for loans, notes and mortgages relates to the fair value option election by Merrill Lynch for certain mortgage, corporate and leveraged loans as a result of its acquisition by Bank of America. Net transfers in for other payables — interest and other relates to the fair value option election by Merrill Lynch for certain loan commitments as a result of its acquisition by Bank of America. Net transfers out for long-term borrowings were primarily due to decreases in the significance of unobservable pricing inputs for certain equity linked notes.

The following tables provide the portion of gains or losses included in income for the three and six months ended June 30, 2010 and June 30, 2009 attributable to unrealized gains or losses relating to those Level 3 assets and liabilities held at June 30, 2010 and June 30, 2009, respectively.

(dollars in millions)

	Unrealized Gains or (Losses) for Level 3 Assets and Liabilities Still Held							
	Three Months Ended June 30, 2010				Six Months Ended June 30, 2010			
	Principal Transactions	Other Revenue	Interest	Total	Principal Transactions	Other Revenue	Interest	Total
Assets:								
Trading assets, excluding derivative contracts:								
Equities	$ (12)	$ -	$ -	$ (12)	$ (16)	$ -	$ -	$ (16)
Non-U.S. governments and agencies	(76)	-	-	(76)	(159)	-	-	(159)
Corporate debt	(105)	-	-	(105)	19	-	-	19
Preferred stock	(23)	-	-	(23)	(25)	-	-	(25)
Mortgages, mortgage-backed and asset-backed	41	-	-	41	(23)	-	-	(23)
Municipals and money markets	(1)	-	-	(1)	16	-	-	16
Total trading assets, excluding derivative contracts	(176)	-	-	(176)	(188)	-	-	(188)
Derivative contracts, net	(224)	-	-	(224)	(590)	-	-	(590)
Investment securities available-for-sale:								
Mortgage-backed securities - non-agency MBSs	-	(2)	-	(2)	-	(22)	24	2
Total investment securities available-for-sale	-	(2)	-	(2)	-	(22)	24	2
Investment securities non-qualifying	-	688	-	688	-	482	-	482
Total investment securities	-	686	-	686	-	460	24	484
Loans, notes and mortgages	-	(61)	-	(61)	-	(39)	-	(39)
Liabilities:								
Trading liabilities, excluding derivative contracts:								
Non-U.S. governments and agencies	2	-	-	2	23	-	-	23
Total trading liabilities, excluding derivative contracts	2	-	-	2	23	-	-	23
Other liabilities — interest and other	-	(19)	-	(19)	-	11	-	11
Long-term borrowings	384	113	-	497	494	191	-	685

(dollars in millions)

	Unrealized Gains or (Losses) for Level 3 Assets and Liabilities Still Held							
	Three Months Ended June 30, 2009				Six Months Ended June 30, 2009			
	Principal Transactions	Other Revenue	Interest	Total	Principal Transactions	Other Revenue	Interest	Total
Assets:								
Trading assets, excluding derivative contracts:								
Equities	$ (4)	$ -	$ -	$ (4)	$ (22)	$ -	$ -	$ (22)
Non-U.S. governments and agencies	79	-	-	79	64	-	-	64
Corporate debt	231	-	-	231	(256)	-	-	(256)
Preferred stock	(81)	-	-	(81)	(190)	-	-	(190)
Mortgages, mortgage-backed and asset-backed	(70)	-	-	(70)	(348)	-	-	(348)
Municipals and money markets	(63)	-	-	(63)	1	-	-	1
Total trading assets, excluding derivative contracts	92	-	-	92	(751)	-	-	(751)
Derivative contracts, net	(907)	-	-	(907)	84	-	-	84
Investment securities available-for-sale:								
Mortgage-backed securities - non-agency MBSs	-	(293)	-	(293)	-	(293)	178	(115)
Total investment securities available-for-sale	-	(293)	-	(293)	-	(293)	178	(115)
Investment securities non-qualifying	-	327	-	327	-	148	-	148
Total investment securities	-	34	-	34	-	(145)	178	33
Loans, notes and mortgages	-	975	-	975	-	509	-	509
Liabilities:								
Trading liabilities, excluding derivative contracts:								
Non-U.S. governments and agencies	(26)	-	-	(26)	(4)	-	-	(4)
Total trading liabilities, excluding derivative contracts	(26)	-	-	(26)	(4)	-	-	(4)
Other liabilities — interest and other	-	278	-	278	-	670	-	670
Long-term borrowings	(1,249)	(47)	-	(1,296)	(1,782)	(40)	-	(1,822)

Net losses in principal transactions related to long-term borrowings were primarily due to the narrowing of Merrill Lynch's credit spreads on certain equity linked notes.

Non-recurring Fair Value

Certain assets and liabilities are measured at fair value on a non-recurring basis and are not included in the tables above. These assets and liabilities primarily include loans and loan commitments held for sale that are reported at lower of cost or fair value and loans held for investment that were initially measured at cost and have been written down to fair value as a result of an impairment. The following table shows the fair value hierarchy for those assets and liabilities measured at fair value on a non-recurring basis as of June 30, 2010 and December 31, 2009, respectively.

(dollars in millions)

	Non-Recurring Basis as of June 30, 2010				Gains/(Losses) Three Months Ended June 30, 2010	Gains/(Losses) Six Months Ended June 30, 2010
	Level 1	Level 2	Level 3	Total		
Assets:						
Investment securities non-qualifying	$ -	$ -	$ 96	$ 96	$ (13)	$ (13)
Loans, notes and mortgages	-	536	2,201	2,737	(115)	(192)
Other assets	-	10	21	31	-	(5)
Liabilities:						
Other payables — interest and other	-	(2)	(22)	(24)	9	7

(dollars in millions)

	Non-Recurring Basis as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities non-qualifying	$ -	$ -	$ 182	$ 182
Loans, notes and mortgages	-	524	2,671	3,195
Other assets	-	-	210	210
Liabilities:				
Other payables — interest and other	-	-	39	39

Loans, notes, and mortgages includes held for sale loans that are carried at the lower of cost or fair value and for which the fair value was below the cost basis at June 30, 2010 and December 31, 2009. It also includes certain impaired held for investment loans where an allowance for loan losses has been calculated based upon the fair value of the loans or collateral. Level 3 assets as of June 30, 2010 primarily relate to commercial real estate loans that are classified as held for sale where there continues to be significant illiquidity in the loan trading and securitization markets. Level 3 assets as of December 31, 2009 primarily relate to residential and commercial real estate loans that are classified as held for sale where there was significant illiquidity in the loan trading and securitization markets.

Other payables — interest and other includes amounts recorded for loan commitments at lower of cost or fair value where the funded loan will be held for sale.

Fair Value Option Election

The fair value option election allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. The fair value option election is permitted on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. As discussed above, certain of Merrill Lynch's financial instruments are required to be accounted for at fair value under Investment Accounting and Derivatives Accounting, as well as industry level guidance. For certain financial instruments that are not accounted for at fair value under other applicable accounting guidance, the fair value option election has been made.

The following tables provide information about where in the Condensed Consolidated Statements of Earnings/(Loss) changes in fair values of assets and liabilities, for which the fair value option election has been made, are included for the three and six months ended June 30, 2010 and June 30, 2009, respectively.

(dollars in millions)

	Changes in Fair Value For the Three Months Ended June 30, 2010, for Items Measured at Fair Value Pursuant to the Fair Value Option Election			Changes in Fair Value For the Six Months Ended June 30, 2010, for Items Measured at Fair Value Pursuant to the Fair Value Option Election		
	Gains/ (losses) Principal Transactions	Gains/ (losses) Other Revenues	Total Changes in Fair Value	Gains/ (losses) Principal Transactions	Gains/ (losses) Other Revenues	Total Changes in Fair Value
Assets:						
Receivables under resale agreements	$ (6)	$ -	$ (6)	$ 1	$ -	$ 1
Investment securities	-	49	49	-	46	46
Loans, notes and mortgages	-	66	66	-	94	94
Liabilities:						
Payables under repurchase agreements	6	-	6	20	-	20
Short-term borrowings	151	-	151	107	-	107
Other payables — interest and other	-	(29)	(29)	-	2	2
Long-term borrowings(1)	2,582	47	2,629	2,481	(20)	2,461

(1) Other revenues primarily represent fair value changes on non-recourse long-term borrowings issued by consolidated VIEs.

(dollars in millions)

	Changes in Fair Value For the Three Months Ended June 30, 2009, for Items Measured at Fair Value Pursuant to the Fair Value Option Election			Changes in Fair Value For the Six Months Ended June 30, 2009, for Items Measured at Fair Value Pursuant to the Fair Value Option Election		
	Gains/ (losses) Principal Transactions	Gains/ (losses) Other Revenues	Total Changes in Fair Value	Gains/ (losses) Principal Transactions	Gains/ (losses) Other Revenues	Total Changes in Fair Value
Assets:						
Receivables under resale agreements	$ (153)	$ -	$ (153)	$ (321)	$ -	$ (321)
Investment securities	374	(32)	342	379	(135)	244
Loans, notes and mortgages	-	1,050	1,050	-	638	638
Liabilities:						
Payables under repurchase agreements	92	-	92	184	-	184
Short-term borrowings	(230)	-	(230)	(246)	6	(240)
Other payables — interest and other	-	289	289	-	681	681
Long-term borrowings(1)	(5,431)	(47)	(5,478)	(3,327)	(40)	(3,367)

(1) Other revenues primarily represent fair value changes on non-recourse long-term borrowings issued by consolidated VIEs.

The following describes the rationale for electing to account for certain financial assets and liabilities at fair value, as well as the impact of instrument-specific credit risk on the fair value.

Resale and repurchase agreements

Merrill Lynch made the fair value option election for certain resale and repurchase agreements. The fair value option election was made based on the tenor of the resale and repurchase agreements, which reflects the magnitude of the interest rate risk. The majority of resale and repurchase agreements collateralized by U.S. Government securities were excluded from the fair value option election as these contracts are generally short-dated and therefore the interest rate risk is not considered significant. Amounts loaned under resale agreements require collateral with a market value equal to or in excess of the principal amount loaned, resulting in minimal credit risk for such transactions.

Loans, notes and mortgages and loan commitments

Merrill Lynch made the fair value option election for certain corporate loans because the loans are risk managed on a fair value basis. Upon the acquisition of Merrill Lynch by Bank of America, Merrill Lynch also made the fair value option election for certain mortgage, corporate, and leveraged loans and loan commitments. The change in the fair value of loans, notes and mortgages and loan commitments for which the fair value option was elected was not material for the three and six months ended June 30, 2010, and was primarily attributable to changes in borrower-specific credit risk for the three and six months ended June 30, 2009.

The aggregate fair value of loans, notes and mortgages for which the fair value option election has been made that were 90 days or more past due was $262 million and $459 million for the six months ended June 30, 2010 and June 30, 2009. The aggregate fair value of loans, notes, and mortgages that were in non-accrual status was $244 million and $459 million for the six months ended June 30, 2010 and June 30, 2009. For the six months ended June 30, 2010 and June 30, 2009, the unpaid principal amount due exceeded the aggregate fair value of such loans, notes and mortgages that are 90 days or more past due and/or in non-accrual status by $417 million and $486 million, respectively.

Short-term and long-term borrowings

Merrill Lynch made the fair value option election for certain short-term and long-term borrowings that are risk managed on a fair value basis, including structured notes, and for which hedge accounting under Derivatives Accounting had been difficult to obtain. The majority of the fair value changes on long-term borrowings is from structured notes with coupon or repayment terms that are linked to the performance of debt and equity securities, indices, currencies or commodities. Excluding gains/(losses) for the three and six months ended June 30, 2010 and June 30, 2009 related to changes in Merrill Lynch's credit spreads, the majority of the gains/(losses) for the respective periods are offset by (losses)/gains on derivatives that economically hedge these borrowings and that are accounted for at fair value under Derivatives Accounting. The changes in the fair value of liabilities for which the fair value option election was made that were attributable to the widening of Merrill Lynch's credit spreads were gains of approximately $1.2 billion and $1.4 billion for the three and six months ended June 30, 2010, and losses of $3.6 billion and $1.4 billion for the three and six months ended June 30, 2009, respectively. Changes in Merrill Lynch specific credit risk are derived by isolating fair value changes due to changes in Merrill Lynch's credit spreads as observed in the secondary cash market.

The fair value option election was also made for certain non-recourse long-term borrowings and secured borrowings issued by consolidated VIEs. The fair value of these borrowings is not materially affected by changes in Merrill Lynch's creditworthiness.

The following tables present the difference between fair values and the aggregate contractual principal amounts of receivables under resale agreements, receivables under securities borrowed transactions, loans, notes, and mortgages and long-term borrowings for which the fair value option election has been made as of June 30, 2010 and December 31, 2009, respectively.

(dollars in millions)

	Fair Value at June 30, 2010	Principal Amount Due Upon Maturity	Difference
Assets:			
Receivables under resale agreements	$ 45,030	$ 44,710	$ 320
Receivables under securities borrowed transactions	1,349	1,349	-
Loans, notes and mortgages	3,438	5,551	(2,113)
Liabilities:			
Long-term borrowings(1)	39,588	47,579	(7,991)

(1) The majority of the difference relates to the impact of the widening of Merrill Lynch's credit spreads and the change in fair value of non-recourse debt issued by consolidated VIEs.

(dollars in millions)

	Fair Value at December 31, 2009	Principal Amount Due Upon Maturity	Difference
Assets:			
Receivables under resale agreements	$ 41,740	$ 41,454	$ 286
Receivables under securities borrowed transactions	2,888	2,888	-
Loans, notes and mortgages	4,649	7,236	(2,587)
Liabilities:			
Long-term borrowings(1)	47,040	50,543	(3,503)

(1) The majority of the difference relates to the impact of the widening of Merrill Lynch's credit spreads, the change in fair value of non-recourse debt, and zero coupon notes issued at a substantial discount from the principal amount.

Note 5. Fair Value of Financial Instruments

The fair values of financial instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable values could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of Merrill Lynch.

The following disclosures represent financial instruments for which the ending balances at June 30, 2010 and December 31, 2009 are not carried at fair value in their entirety on Merrill Lynch's Condensed Consolidated Balance Sheets.

Short-term Financial Instruments

The carrying value of short-term financial instruments, including cash and cash equivalents, cash and securities segregated for regulatory purposes or deposited with clearing organizations, certain securities financing transactions, customer and broker-dealer receivables and payables, and commercial paper and other short-term borrowings, approximates the fair value of these instruments. These financial instruments generally expose Merrill Lynch to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market interest rates.

Loans, Notes and Mortgages

Fair values were generally determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that Merrill Lynch believes a market participant would consider in determining fair value. Merrill Lynch estimates the cash flows expected to be collected using internal credit risk, interest rate and prepayment risk models that incorporate its best estimate of current key assumptions, such as default rates, loss severity and prepayment speeds for the life of the loan. Merrill Lynch made the fair value option election for certain loans and loan commitments. See Note 4 for additional information on loans for which Merrill Lynch made the fair value option election.

Deposits

The fair value for certain deposits with stated maturities was calculated by discounting contractual cash flows using current market rates for instruments with similar maturities. For deposits with no stated maturities, the carrying amount was considered to approximate fair value and does not take into account the significant value of the cost advantage and stability of Merrill Lynch's long-term relationships with depositors.

Long-term Borrowings

Merrill Lynch uses quoted market prices for its long-term borrowings when available. When quoted market prices are not available, fair value is estimated based on current market interest rates and credit spreads for Merrill Lynch debt with similar maturities. Merrill Lynch made the fair value option election for certain long-term borrowings, including structured notes. See Note 4 for additional information on long-term borrowings for which Merrill Lynch made the fair value option election.

The book and fair values of certain financial instruments at June 30, 2010 and December 31, 2009 were as follows:

(dollars in millions)

	June 30, 2010		December 31, 2009	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Financial assets				
Loans, notes and mortgages(1)	$ 32,576	$ 32,458	$ 37,663	$ 37,715
Financial liabilities				
Deposits	12,961	12,961	15,187	15,187
Long-term borrowings(2)	135,297	141,512	154,951	162,645

(1) Loans are presented net of allowance for loan losses. The fair value is determined based on the present value of future cash flows using credit spreads or risk adjusted rates of return that a buyer of the portfolio would require. Merrill Lynch expects to collect the principal cash flows underlying the book values as well as the related interest cash flows.

(2) Includes junior subordinated notes (related to trust preferred securities).

Note 6. Derivatives

A derivative is an instrument whose value is derived from an underlying instrument or index, such as interest rates, equity security prices, currencies, commodity prices or credit spreads. Derivatives include futures, forwards, swaps, option contracts, and other financial instruments with similar characteristics. Derivative contracts often involve future commitments to exchange interest payment streams or currencies based on a notional or contractual amount (e.g., interest rate swaps or currency forwards) or to purchase or sell other financial instruments at specified terms on a specified date (e.g., options to buy or sell securities or currencies).

Derivatives Accounting establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts ("embedded derivatives") and for hedging activities. Derivatives Accounting requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair value. The fair value of all derivatives is recorded on a net-by-counterparty basis on the Condensed Consolidated Balance Sheets where Merrill Lynch believes a legal right of setoff exists under an enforceable netting agreement. All derivatives, including bifurcated embedded derivatives within structured notes, are reported on the Condensed Consolidated Balance Sheets as trading assets and liabilities.

The accounting for changes in fair value of a derivative instrument depends on its intended use and if it is designated and qualifies as an accounting hedging instrument under Derivatives Accounting.

Trading derivatives

Merrill Lynch enters into derivatives to facilitate client transactions, for proprietary trading and financing purposes, and to manage risk exposures arising from trading assets and liabilities. Changes in fair value for these derivatives are reported in current period earnings as principal transactions revenues.

Derivatives that contain a significant financing element

In the ordinary course of trading activities, Merrill Lynch enters into certain transactions that are documented as derivatives where a significant cash investment is made by one party. Certain derivative instruments that contain a significant financing element at inception and where Merrill Lynch is deemed to be the borrower are included in financing activities in the Condensed Consolidated Statements of Cash Flows. The cash flows from all other derivative transactions that do not contain a significant financing element at inception are included in operating activities.

Non-trading derivatives

Merrill Lynch also enters into derivatives in order to manage risk exposures arising from assets and liabilities not carried at fair value as follows:

1. Merrill Lynch's debt was issued in a variety of maturities and currencies to achieve the lowest cost financing possible. Merrill Lynch enters into derivative transactions to hedge these liabilities. Derivatives used most frequently include swap agreements that:

   - Convert fixed-rate interest payments into variable-rate interest payments;
   - Change the underlying interest rate basis or reset frequency; and
   - Change the settlement currency of a debt instrument.

Changes in the fair value of interest rate derivatives are reported in interest expense when hedge accounting is applied; otherwise changes in fair value are reported in other revenue. Changes in the fair value of foreign currency derivatives are reported in other revenue.

2. Merrill Lynch uses foreign-exchange forward contracts, foreign-exchange options, and currency swaps to hedge its net investments in foreign operations, as well as other foreign currency exposures (e.g., non-U.S. dollar denominated debt and expenses). These derivatives are used to mitigate the impact of changes in exchange rates. Changes in the fair value of these derivatives are reported in other revenue, unless net investment hedge accounting is applied.
3. Merrill Lynch enters into futures, swaps, options and forward contracts to manage the price risk of certain commodity inventory and forecasted commodity purchases and sales. Changes in fair value of these derivatives are reported in principal transaction revenues, unless cash flow hedge accounting is applied.

4. Merrill Lynch enters into credit default swaps to manage the credit risk on certain loans that are not part of trading activities. Changes in the fair value of these derivatives are reported in other revenue.

Derivatives that qualify as accounting hedges under the guidance in Derivatives Accounting are designated as one of the following:

1. A hedge of the fair value of a recognized asset or liability (“fair value hedge”). Changes in the fair value of derivatives that are designated and qualify as fair value hedges of interest rate risk, along with the gain or loss on the hedged liability that is attributable to the hedged risk, are recorded in current period earnings as interest expense. Changes in the fair value of derivatives that are designated and qualify as fair value hedges of commodity price risk, along with the gain or loss on the hedged asset that is attributable to the hedged risk, are recorded in current period earnings in principal transactions.
2. A hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (“cash flow hedge”). Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in OCI until earnings are affected by the variability of cash flows of the hedged asset or liability. For cash flow hedges of commodity contracts, the amount is reclassified out of OCI and recorded in principal transactions when the forecasted purchase or sale of the commodity occurs.
3. A hedge of a net investment in a foreign operation (“net investment hedge”). Changes in the fair value of derivatives that are designated and qualify as hedges of a net investment in a foreign operation are recorded in the foreign currency translation adjustment account within OCI. Changes in the fair value of the hedging instruments that are associated with the difference between the spot rate and the contracted forward rate are recorded in current period earnings in interest expense for the three and six months ended June 30, 2010 and other revenues for the three and six months ended June 30, 2009.

Merrill Lynch formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives are highly effective in offsetting changes in fair value or cash flows of hedged items. Merrill Lynch uses regression analysis at the hedge’s inception and for each reporting period thereafter to assess whether the derivative used in its hedging transaction is expected to be and has been highly effective in offsetting changes in the fair value or cash flows of the hedged item. When assessing hedge effectiveness on interest rate hedges and fair value hedges of commodity price risk, there are no attributes of the derivatives used to hedge the fair value exposure that are excluded from the assessment. For cash flow hedges of commodity price risk, the difference between the spot rate and the contracted forward rate which represents the time value of money is excluded from the assessment of hedge effectiveness and is recorded in principal transactions revenues. When it is determined that a derivative is not highly effective as a hedge, Merrill Lynch discontinues hedge accounting.

Hedge accounting activity for 2010 and 2009 included the following:

Fair value hedges of interest rate risk on long-term borrowings

(dollars in millions)

	Account location	2010	2009
For the three months ended June 30:			
Gain/(loss) recognized in income on the derivative	Interest expense	$ 649	$ (2,155)
Gain/(loss) recognized in income on the long-term borrowing(1)	Interest expense	(917)	1,892
Gain/(loss) recognized in income due to hedge ineffectiveness	Interest expense	(268)	(263)
For the six months ended June 30:			
Gain/(loss) recognized in income on the derivative	Interest expense	435	(2,525)
Gain/(loss) recognized in income on the long-term borrowing(1)	Interest expense	(914)	2,137
Gain/(loss) recognized in income due to hedge ineffectiveness	Interest expense	(479)	(388)
As of June 30, 2010 and December 31, 2009:			
Carrying value of hedging derivatives			
	Trading assets	5,150	3,362
	Trading liabilities	1,537	101
Notional amount of hedging derivatives			
in an asset position		47,858	54,954
in a liability position		11,722	4,770

(1) Excludes the impact of the accretion of purchase accounting adjustments made to certain long-term borrowings in connection with the acquisition of Merrill Lynch by Bank of America.

Fair value hedges of commodity price risk on commodity inventory

(dollars in millions)

	Account location	2010	2009
For the three months ended June 30:			
Gain/(loss) recognized in income on the derivative	Principal transactions	$ (16)	$ 5
Gain/(loss) recognized in income on the commodity inventory	Principal transactions	15	-
Gain/(loss) recognized in income due to hedge ineffectiveness	Principal transactions	(1)	5
For the six months ended June 30:			
Gain/(loss) recognized in income on the derivative	Principal transactions	41	60
Gain/(loss) recognized in income on the commodity inventory	Principal transactions	(46)	(57)
Gain/(loss) recognized in income due to hedge ineffectiveness	Principal transactions	(5)	3
As of June 30, 2010 and December 31, 2009:			
Carrying value of hedging derivatives			
	Trading assets	104	78
	Trading liabilities	1	4
Notional amount of hedging derivatives			
in an asset position		292	286
in a liability position		2	34

Cash flow hedges of commodity price risk on forecasted purchases and sales

(dollars in millions)

	Account location	2010	2009
For the three months ended June 30:			
Gain/(loss) on the derivative deferred in equity	Accumulated other comprehensive income	$ (5)	$ 15
Gain/(loss) reclassified into earnings in the current period	Principal transactions	10	2
Gain/(loss) recognized in income due to hedge ineffectiveness	Principal transactions	2	-
Amount that is expected to be reclassified into earnings in the next 12 months	Principal transactions	12	18
For the six months ended June 30:			
Gain/(loss) on the derivative deferred in equity	Accumulated other comprehensive income	27	63
Gain/(loss) reclassified into earnings in the current period	Principal transactions	13	5
Gain/(loss) recognized in income due to hedge ineffectiveness	Principal transactions	2	-
Amount that is expected to be reclassified into earnings in the next 12 months	Principal transactions	12	18
As of June 30, 2010 and December 31, 2009:			
Carrying value of hedging derivatives			
	Trading assets	106	10
	Trading liabilities	5	5
Notional amount of hedging derivatives			
in an asset position		331	92
in a liability position		50	67

Net investment hedges of foreign operations

(dollars in millions)

	Account location	2010	2009
For the three months ended June 30:			
Gain/(loss) on the derivative and non-derivative hedges deferred in equity	Accumulated other comprehensive income	$ 277	$ (1,979)
Gain/(loss) recognized in income due to hedge ineffectiveness	Other revenue	-	-
Gain/(loss) recognized in income from the unused portion (time value) of the hedging derivative	Other revenue	-	(28)
	Interest expense	(52)	-
For the six months ended June 30:			
Gain/(loss) on the derivative and non-derivative hedges deferred in equity	Accumulated other comprehensive income	847	(1,261)
Gain/(loss) recognized in income due to hedge ineffectiveness	Other revenue	-	-
Gain/(loss) recognized in income from the unused portion (time value) of the hedging derivative	Other revenue	-	(92)
	Interest expense	(89)	-
As of June 30, 2010 and December 31, 2009:			
Carrying value of hedging derivatives	Trading assets	340	353
	Trading liabilities	387	277
Carrying value of non-derivative hedges	Long-term borrowings	513	598
Notional amount of hedging derivatives			
in an asset position		12,977	16,531
in a liability position		10,590	6,098

Net gains/(losses) on economic hedges

(dollars in millions)

	Account location	2010	2009
For the three months ended June 30:			
Interest rate risk	Interest expense	$ 413	$ (509)
Foreign currency risk	Other revenue	(3,036)	(1,993)
Credit risk	Other revenue	18	(221)
For the six months ended June 30:			
Interest rate risk	Interest expense	469	(718)
Foreign currency risk	Other revenue	(5,730)	(1,460)
Credit risk	Other revenue	6	(152)

The amounts in the table above represent net gains/(losses) on derivatives that are not used for trading purposes and are not used in accounting hedging relationships. Interest rate risk primarily relates to derivatives used to economically hedge long-term debt. Foreign currency risk primarily relates to economic hedges of foreign currency denominated transactions that generate earnings upon remeasurement in accordance with ASC 830-20 *Foreign Currency Transactions* (“Foreign Currency Transactions”). As both the remeasurement of the foreign currency risk on the transaction and the changes in fair value of the derivative are recorded in earnings, hedge accounting is not applied. Credit risk relates to credit default swaps used to economically manage the credit risk on certain loans not included in trading activities.

Derivative balances by primary risk

Derivative instruments contain numerous market risks. In particular, most derivatives have interest rate risk, as they contain an element of financing risk which is affected by changes in interest rates. Additionally, derivatives expose Merrill Lynch to counterparty credit risk, although this is generally mitigated by collateral margining and netting arrangements. For disclosure purposes below, the primary risk of a derivative is largely determined by the business that is engaging in the derivative activity. For instance, a derivative that is initiated by an equities derivative business will generally have equity price risk as its primary underlying market risk and is classified as such for the purposes of this disclosure, despite the fact that there may be other market risks that affect the value of the instrument.

The following tables identify the primary risk for derivative instruments at June 30, 2010 and December 31, 2009. The primary risk is provided on a gross basis, prior to the application of the impact of counterparty and cash collateral netting.

(dollars in millions)

	As of June 30, 2010			
	Contract/ Notional(1)	**Trading Assets- Derivative Contracts**	**Contract/ Notional(1)**	**Trading Liabilities- Derivative Contracts**
Interest rate contracts				
Swaps	$ 8,853,051	$ 570,189	$ 8,745,406	$ 563,444
Futures and forwards	1,991,244	2,281	2,087,228	2,554
Written options	-	-	1,654,505	50,866
Purchased options	1,413,829	52,137	-	-
Foreign exchange contracts				
Swaps	85,591	10,012	109,555	13,561
Spot, futures and forwards	150,021	7,486	133,251	7,137
Written options	-	-	303,170	10,474
Purchased options	306,019	10,070	-	-
Equity contracts				
Swaps	16,294	1,646	24,683	2,028
Futures and forwards	48,176	3,245	49,426	2,594
Written options	-	-	242,891	20,823
Purchased options	209,080	18,608	-	-
Commodity contracts				
Swaps	54,376	6,447	40,159	6,149
Futures and forwards	236,345	6,837	227,767	6,426
Written options	-	-	71,356	4,970
Purchased options	69,337	4,779	-	-
Credit derivatives				
Purchased protection:				
Credit default swaps	683,633	47,518	216,421	6,862
Total return swaps	2,430	336	1,989	893
Other Credit Derivatives	5,468	18	139	-
Written protection:				
Credit default swaps	211,257	6,738	705,355	41,315
Total return swaps	1,274	1,141	1,614	325
Other Credit Derivatives	-	-	6,746	60
Gross derivative assets/liabilities	$14,337,425	$ 749,488	$14,621,661	$ 740,481
Less: Legally enforceable master netting		(672,004)		(672,004)
Less: Cash collateral applied		(30,753)		(30,598)
Total derivative assets and liabilities		$ 46,731		$ 37,879

(1) These amounts include trading derivatives, non-trading derivatives and bifurcated embedded derivatives.

(dollars in millions)

	As of December 31, 2009			
	Contract/ Notional(1)	Trading Assets- Derivative Contracts	Contract/ Notional(1)	Trading Liabilities- Derivative Contracts
Interest rate contracts				
Swaps	$10,059,442	$ 472,860	$ 9,748,704	$ 471,423
Futures and forwards	2,606,064	3,531	2,534,823	3,123
Written options	-	-	1,461,830	46,521
Purchased options	1,313,226	46,643	-	-
Foreign exchange contracts				
Swaps	115,591	11,739	107,953	13,074
Spot, futures and forwards	208,226	8,470	223,151	8,832
Written options	-	-	264,836	10,859
Purchased options	266,026	10,375	-	-
Equity contracts				
Swaps	17,637	1,186	16,123	1,354
Futures and forwards	41,821	2,999	33,844	2,165
Written options	-	-	250,233	18,761
Purchased options	240,650	15,596	-	-
Commodity contracts				
Swaps	30,449	6,591	34,180	6,391
Futures and forwards	202,571	10,369	185,109	9,612
Written options	-	-	53,438	4,955
Purchased options	50,372	4,750	-	-
Credit derivatives				
Purchased protection:				
Credit default swaps	908,594	59,491	622,853	22,685
Total return swaps	2,921	366	1,644	358
Other Credit Derivatives	14,517	59	-	-
Written protection:				
Credit default swaps	614,066	21,833	949,107	54,265
Total return swaps	5,173	1,563	7,336	925
Other Credit Derivatives	-	-	14,703	126
Gross derivative assets/liabilities	$16,697,346	$ 678,421	$16,509,867	$ 675,429
Less: Legally enforceable master netting		(602,157)		(602,157)
Less: Cash collateral applied		(26,682)		(38,152)
Total derivative assets and liabilities		$ 49,582		$ 35,120

(1) These amounts include trading derivatives, non-trading derivatives and bifurcated embedded derivatives.

Trading revenues

Merrill Lynch enters into trading derivatives and non-derivative cash instruments to facilitate client transactions, for proprietary trading and financing purposes, and to manage risk exposures arising from trading assets and liabilities. The resulting risk from derivatives and non-derivative cash instruments is managed on a portfolio basis as part of Merrill Lynch's sales and trading activities and the related revenue is recorded on different income statement line items, including principal transactions, commissions, other revenues and net interest (expense)/profit. The following table identifies the amounts in the income statement line items attributable to trading and non-trading activities, including both derivatives and non-derivative cash instruments categorized by primary risk for the three and six months ended June 30, 2010 and June 30, 2009.

Non-trading related amounts include activities in connection with principal investment, wealth management, and certain lending activities; economic hedging activity discussed in the *Non-trading* *derivatives* section above; and the impact of changes in Merrill Lynch's own creditworthiness on borrowings accounted for at fair value.

(dollars in millions)

For the Three Months Ended June 30, 2010	Principal Transactions	Commissions	Other Revenues(1)	Net Interest Profit/(Expense)	Total
Interest Rate Risk	$ 122	$ 24	$ 20	$ 99	$ 265
Foreign Exchange Risk	(15)	-	-	-	(15)
Equity Risk	784	825	133	(660)	1,082
Commodity Risk	(87)	-	2	(31)	(116)
Credit Risk	334	10	148	346	838
Total trading — related	1,138	859	303	(246)	2,054
Non-trading related	962	601	932	(805)	1,690
Total	$ 2,100	$ 1,460	$ 1,235	$ (1,051)	$3,744

(dollars in millions)

For the Six Months Ended June 30, 2010	Principal Transactions	Commissions	Other Revenues(1)	Net Interest Profit/(Expense)	Total
Interest Rate Risk	$ 889	$ 41	$ 27	$ 183	$1,140
Foreign Exchange Risk	72	-	-	(1)	71
Equity Risk	1,276	1,600	168	(465)	2,579
Commodity Risk	62	-	1	(63)	-
Credit Risk	1,882	20	307	742	2,951
Total trading — related	4,181	1,661	503	396	6,741
Non-trading related	1,137	1,266	1,800	(1,672)	2,531
Total	$ 5,318	$ 2,927	$ 2,303	$ (1,276)	$9,272

(dollars in millions)

For the Three Months Ended June 30, 2009	Principal Transactions	Commissions	Other Revenues(1)	Net Interest Profit/(Expense)	Total
Interest Rate Risk	$ (247)	$ 17	$ 13	$ 134	$ (83)
Foreign Exchange Risk	73	-	-	6	79
Equity Risk	854	988	6	(658)	1,190
Commodity Risk	18	-	(1)	(45)	(28)
Credit Risk	1,393	14	334	433	2,174
Total trading — related	2,091	1,019	352	(130)	3,332
Non-trading related	(3,919)	607	445	(396)	(3,263)
Total	$ (1,828)	$ 1,626	$ 797	$ (526)	$ 69

(dollars in millions)

For the Six Months Ended June 30, 2009	Principal Transactions	Commissions	Other Revenues(1)	Net Interest Profit/(Expense)	Total
Interest Rate Risk	$ 1,115	$ 31	$ 11	$ 336	$1,493
Foreign Exchange Risk	263	-	1	(6)	258
Equity Risk	1,681	1,740	29	(566)	2,884
Commodity Risk	616	-	-	(97)	519
Credit Risk	1,951	30	224	745	2,950
Total trading — related	5,626	1,801	265	412	8,104
Non-trading related	(1,540)	1,205	803	(10)	458
Total	$ 4,086	$ 3,006	$ 1,068	$ 402	$8,562

(1) Includes other income and other-than-temporary impairment losses on available-for-sale debt securities.

Derivatives as guarantees

Merrill Lynch enters into certain derivative contracts that meet the definition of a guarantee under ASC 460, *Guarantees* ("Guarantees Accounting"). Guarantees are defined to include derivative contracts that contingently require a guarantor to make payment to a guaranteed party based on changes in an underlying (such as changes in the value of interest rates, security prices, currency rates, commodity prices, indices, etc.) that relate to an asset, liability or equity security of a guaranteed party. Derivatives that meet the accounting definition of a guarantee include certain written options (e.g., written interest rate and written currency options). Merrill Lynch does not track, for accounting purposes, whether its clients enter into these derivative contracts for speculative or hedging purposes. Accordingly, Merrill Lynch has disclosed information about all credit derivatives and certain types of written options that can potentially be used by clients to protect against changes in an underlying, regardless of how the contracts are actually used by the client.

Merrill Lynch's derivatives that act as guarantees at June 30, 2010 and December 31, 2009 are summarized below:

(in millions)

	Maximum Payout/ Notional	Less than 1 year	1 - 3 years	3 - 5 years	Over 5 years	Carrying Value(1)
At June 30, 2010:						
Derivative contracts:						
Credit derivatives:						
Investment grade(2)	$ 321,124	$ 27,341	$ 109,854	$ 107,797	$ 76,132	$ 14,915
Non-investment grade(2)	598,376	59,669	204,091	186,851	147,765	26,725
Total credit derivatives	919,500	87,010	313,945	294,648	223,897	41,640
Other derivatives	1,731,812	540,025	380,907	271,293	539,587	73,416
Total derivative contracts	$2,651,312	$627,035	$ 694,852	$ 565,941	$ 763,484	$115,056
At December 31, 2009:						
Derivative contracts:						
Credit derivatives:						
Investment grade(2)	$ 520,782	$ 44,552	$ 133,089	$ 216,562	$ 126,579	$ 17,255
Non-investment grade(2)	1,054,900	93,582	331,306	325,167	304,845	37,935
Total credit derivatives	1,575,682	138,134	464,395	541,729	431,424	55,190
Other derivatives	1,574,432	488,146	405,223	245,565	435,498	59,811
Total derivative contracts	$3,150,114	$626,280	$ 869,618	$ 787,294	$ 866,922	$115,001

(1) Derivative contracts are shown on a gross basis prior to cash collateral or counterparty netting.
(2) Refers to the creditworthiness of the underlying reference obligations.

Credit derivatives

Credit derivatives derive value based on an underlying third party referenced obligation or a portfolio of referenced obligations. Merrill Lynch is both a seller and a buyer of credit protection. A seller of credit protection is required to make payments to a buyer upon the occurrence of a predefined credit event. Such credit events generally include bankruptcy of the referenced credit entity and failure to pay under their credit obligations, as well as acceleration of indebtedness and payment repudiation or moratorium. Merrill Lynch considers credit derivatives to be guarantees where it is the seller of credit protection. For credit derivatives based on a portfolio of referenced credits or credit indices, Merrill Lynch as a seller of credit protection may not be required to make payment until a specified amount of loss has occurred and/or may only be required to make payment up to a specified amount.

For most credit derivatives, the notional value represents the maximum amount payable by Merrill Lynch as a seller of credit protection. However, Merrill Lynch does not exclusively monitor its exposure to credit derivatives based on notional value. Instead, a risk framework is used to define risk tolerances and establish limits to help to ensure that certain credit risk-related losses occur within acceptable, predefined limits. Merrill Lynch discloses internal categorizations (i.e., investment grade, non-investment grade) consistent with how risk is managed to evaluate the payment status of its freestanding credit derivative instruments.

Merrill Lynch economically hedges its exposure to credit derivatives by entering into a variety of offsetting derivative contracts and security positions. For example, in certain instances, Merrill Lynch purchases credit protection with identical underlying referenced names to offset its exposure. At

June 30, 2010 and December 31, 2009, the notional value and carrying value of credit protection purchased and credit protection sold by Merrill Lynch with identical underlying referenced names was:

(in millions)

	Maximum Payout/ Notional	Less than 1 year	1 - 3 years	3 - 5 years	Over 5 years	Carrying Value(1)
At June 30, 2010:						
Credit derivatives purchased	$ 874,352	$ 81,747	$ 283,402	$ 281,859	$ 227,344	$ 37,299
Credit derivatives sold	911,528	86,751	313,180	294,053	217,544	39,061
At December 31, 2009:						
Credit derivatives purchased	$1,506,782	$130,297	$ 432,550	$ 511,298	$ 432,637	$ 49,225
Credit derivatives sold	1,555,077	135,686	463,129	540,713	415,549	50,609

(1) Derivative contracts are shown on a gross basis prior to cash collateral or counterparty netting.

Other derivative contracts

Other derivative contracts in the guarantees table above primarily represent written interest rate options and written currency options. For such contracts the maximum payout could theoretically be unlimited, because, for example, the rise in interest rates or changes in foreign exchange rates could theoretically be unlimited. Merrill Lynch does not monitor its exposure to derivatives based on the theoretical maximum payout because that measure does not take into consideration the probability of the occurrence. As such, rather than including the maximum payout, the notional value of these contracts has been included to provide information about the magnitude of involvement with these types of contracts. However, it should be noted that the notional value is not a reliable indicator of Merrill Lynch's exposure to these contracts. Instead, as previously noted, a risk framework is used to define risk tolerances and establish limits to help ensure that certain risk-related losses occur within acceptable, predefined limits.

As the fair value and risk of payment under these derivative contracts are based upon market factors, such as changes in interest rates or foreign exchange rates, the carrying values in the table above reflect the best estimate of Merrill Lynch's performance risk under these transactions at June 30, 2010 and December 31, 2009. Merrill Lynch economically hedges its exposure to these contracts by entering into a variety of offsetting derivative contracts and security positions.

Credit risk management of derivatives

Merrill Lynch defines counterparty credit risk as the potential for loss that can occur as a result of an individual, counterparty, or issuer being unable or unwilling to honor its contractual obligations. Merrill Lynch mitigates its credit risk to counterparties through a variety of techniques, including, where appropriate, the right to require initial collateral or margin, the right to terminate transactions or to obtain collateral should unfavorable events occur, the right to call for collateral when certain exposure thresholds are exceeded, the right to call for third party guarantees, and the purchase of credit default protection.

Merrill Lynch enters into International Swaps and Derivatives Association, Inc. ("ISDA") master agreements or their equivalent ("master netting agreements") with almost all derivative counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset for accounting and risk management purposes. Netting agreements are generally negotiated bilaterally and can require complex terms. While Merrill Lynch makes reasonable efforts to execute such agreements, it is possible that a counterparty may be unwilling to sign such an agreement and, as a result, would subject Merrill Lynch to additional credit risk. The enforceability of master netting agreements under bankruptcy laws in certain countries or in certain industries is not free from doubt, and receivables and payables with counterparties in these countries or industries are accordingly recorded on a gross basis.

Where Merrill Lynch has entered into legally enforceable netting agreements with counterparties, it reports derivative assets and liabilities, and any related cash collateral, net in the Condensed Consolidated Balance Sheets in accordance with ASC 210-20, *Balance Sheet-Offsetting*. At June 30, 2010 and December 31, 2009, cash collateral received of $30.8 billion and $26.7 billion, respectively, and cash collateral paid of $30.6 billion and $38.2 billion, respectively, was netted against derivative assets and liabilities.

Merrill Lynch considers the impact of counterparty credit risk on the valuation of derivative contracts. Factors used to determine the credit valuation adjustments on the derivatives portfolio include current exposure levels (i.e., fair value prior to credit valuation adjustments) and expected exposure levels profiled over the maturity of the contracts. CDS market information, including either quoted single name CDS or index or other proxy CDS, is also considered. In addition, the credit valuation adjustments also take into account the netting and credit provisions of relevant agreements including collateral margin agreements and legally enforceable netting agreements. During the three and six months ended June 30, 2010, valuation adjustments of approximately $0.2 billion and $0.1 billion of losses, respectively, were recognized in principal transactions for counterparty credit risk. Valuation adjustments of approximately $0.7 billion of gains for the three months ended June 30, 2009 were recognized in principal transactions for counterparty credit risk, and were not material for the six months ended June 30, 2009. At both June 30, 2010 and December 31, 2009, the cumulative counterparty credit risk valuation adjustment that was reflected in derivative assets was $6.8 billion. In addition, the fair value of derivative liabilities is adjusted to reflect the impact of Merrill Lynch's credit quality. During the three months ended June 30, 2010, valuation adjustments recognized in principal transactions were not material. For the six months ended June 30, 2010, valuation adjustments of approximately $0.1 billion were recognized as gains in principal transactions for changes in Merrill Lynch's credit risk. Valuation adjustments of approximately $1 billion for the three months ended June 30, 2009 were recognized as losses in principal transactions for changes in Merrill Lynch's credit risk, and were not material for the six months ended June 30, 2009. At June 30, 2010 and December 31, 2009, the cumulative credit risk valuation adjustment that was reflected in the derivative liabilities balance was $0.6 billion and $0.3 billion, respectively.

Monoline derivative credit exposure at June 30, 2010 had a notional value of $32.7 billion compared with $36.1 billion at December 31, 2009. Mark-to-market monoline derivative credit exposure was $9.7 billion at June 30, 2010 compared with $10.7 billion at December 31, 2009, driven by positive valuation adjustments on legacy assets and terminated monoline contracts. At both June 30, 2010 and December 31, 2009, the counterparty credit valuation adjustment related to monoline derivative exposure was $5.7 billion, which reduced Merrill Lynch's net mark-to-market exposure to $4.0 billion at June 30, 2010, of which 59% related to a single counterparty.

Bank of America has guaranteed the performance of Merrill Lynch on certain derivative transactions. The aggregate amount of such derivative liabilities was approximately $2.2 billion and $2.5 billion at June 30, 2010 and December 31, 2009, respectively.

Credit-risk related contingent features

The majority of Merrill Lynch's derivative contracts contain credit-risk-related contingent features, primarily within the ISDA agreements, that help to reduce the credit risk of these instruments as compared to other obligations of the respective counterparty with whom Merrill Lynch has transacted (e.g., other senior debt). These contingent features may be for the benefit of Merrill Lynch or may benefit Merrill Lynch's counterparties in respect of changes in Merrill Lynch's creditworthiness. At June 30, 2010 and December 31, 2009, Merrill Lynch posted collateral of $36.2 billion and $42.8 billion, respectively, under derivative contracts that were in a liability position, of which $30.6 billion and $38.2 billion, respectively, represented cash collateral, as noted above.

In connection with certain OTC derivatives transactions and other trading agreements, Merrill Lynch could be required to provide additional collateral to or terminate transactions with certain counterparties in the event of a downgrade of the senior debt ratings of ML & Co. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount and/or an amount related to the market value of the exposure. At June 30, 2010 and December 31, 2009, the amount of additional collateral and termination payments that would be required for such derivatives transactions and trading agreements was approximately $0.7 billion and $1.3 billion, respectively, in the event of a downgrade to low single-A by all credit agencies. A further downgrade of ML & Co.'s long-term senior debt credit rating to the BBB+ or equivalent level would require approximately $0.6 billion of additional collateral at both June 30, 2010 and December 31, 2009.

Note 7. Securities Financing Transactions

Merrill Lynch enters into secured borrowing and lending transactions in order to meet customers' needs and earn residual interest rate spreads, obtain securities for settlement and finance trading inventory positions.

Under these transactions, Merrill Lynch either receives or provides collateral, including U.S. Government and agency securities, asset-backed, corporate debt, equity, and non-U.S. government and agency securities. Merrill Lynch receives collateral in connection with resale agreements, securities borrowed transactions, customer margin loans and other loans. Under most agreements, Merrill Lynch is permitted to sell or repledge the securities received (e.g., use the securities to secure repurchase agreements, enter into securities lending transactions, or deliver to counterparties to cover short positions). At June 30, 2010 and December 31, 2009, the fair value of securities received as collateral where Merrill Lynch is permitted to sell or repledge the securities was $310 billion and $308 billion, respectively, and the fair value of the portion that had been sold or repledged was $244 billion and $245 billion, respectively. Merrill Lynch may use securities received as collateral for resale agreements to satisfy regulatory requirements such as Rule 15c3-3 of the Securities Exchange Act of 1934.

Additionally, Merrill Lynch receives securities as collateral in connection with certain securities transactions in which Merrill Lynch is the lender. In instances where Merrill Lynch is permitted to sell or repledge securities received, Merrill Lynch reports the fair value of such securities received as collateral and the related obligation to return securities received as collateral in the Condensed Consolidated Balance Sheets.

Merrill Lynch pledges assets to collateralize repurchase agreements and other secured financings. Pledged securities that can be sold or repledged by the secured party are parenthetically disclosed in trading assets and investment securities on the Condensed Consolidated Balance Sheets. The carrying value and classification of securities owned by Merrill Lynch that have been pledged to counterparties where those counterparties do not have the right to sell or repledge at June 30, 2010 and December 31, 2009 are as follows:

(dollars in millions)

	June 30, 2010	December 31, 2009
Trading asset category		
Equities and convertible debentures	$ 10,243	$ 7,647
Corporate debt and preferred stock	6,011	10,398
U.S. Government and agencies	3,198	1,455
Non-U.S. governments and agencies	2,732	1,786
Mortgages, mortgage-backed, and asset-backed securities	597	4,236
Municipals and money markets	-	8
Total	$ 22,781	$ 25,530

In certain cases, Merrill Lynch has transferred assets to consolidated VIEs where those restricted assets serve as collateral for the interests issued by the VIEs. These assets are disclosed on the Condensed Consolidated Balance Sheet as Assets of Consolidated VIEs. These transactions are also described in Note 9.

Generally, when Merrill Lynch transfers financial instruments that are not recorded as sales (i.e., secured borrowing transactions), the liability is recorded as either payables under repurchase agreements or payables under securities loaned transactions; however, in instances where Merrill Lynch transfers financial assets to a consolidated VIE, the liabilities of the consolidated VIE will be reflected in long or short-term borrowings (see Note 9). In either case, at the time of transfer, the related liability is equal to the cash received in the transaction. In most cases the lenders in secured borrowing transactions have full recourse to Merrill Lynch (i.e., recourse beyond the assets pledged).

Note 8. Investment Securities

Investment securities on the Condensed Consolidated Balance Sheets include:

- Investments within the scope of Investment Accounting that are held by ML & Co. and certain of its non-broker-dealer subsidiaries consist of:
  - Debt securities, including debt held-for-investment and liquidity and collateral management purposes that are classified as available-for-sale, and debt securities that Merrill Lynch intends to hold until maturity;
  - Marketable equity securities, which are generally classified as available-for-sale.
- Non-qualifying investments are those that are not within the scope of Investment Accounting and consist principally of equity investments, including investments in partnerships and joint ventures. Included in non-qualifying investments are investments accounted for under the equity method of accounting, which consist of investments in (i) partnerships and certain limited liability corporations where Merrill Lynch has more than a minor influence (generally defined as three to five percent interest) and (ii) corporate entities where Merrill Lynch has the ability to exercise significant influence over the investee (generally defined as ownership and voting interest of 20% to 50%). Also included in non-qualifying investments are private equity investments and investments in real estate VIEs held by consolidated investment companies that Merrill Lynch holds for capital appreciation and/or current income and which are accounted for at fair value in accordance with the Investment

Company Guide, as well as private equity investments accounted for at fair value under the fair value option election. The carrying value of such private equity investments reflects expected exit values based upon market prices or other valuation methodologies, including market comparables of similar companies and discounted expected cash flows.

Investment securities reported on the Condensed Consolidated Balance Sheets at June 30, 2010 and December 31, 2009 are presented below. The decrease in available-for-sale securities from December 31, 2009 primarily reflects the sale of approximately $15 billion of securities, approximately $11 billion of which were sold to Bank of America during the first quarter of 2010.

(dollars in millions)

	June 30, 2010	December 31, 2009
Investment securities		
Available-for-sale(1)	$ 1,734	$ 16,818
Held-to-maturity	252	246
Non-qualifying(2)	22,209	21,301
Total	$ 24,195	$ 38,365

(1) The amount at December 31, 2009 includes $5.5 billion of investment securities reported in cash and securities segregated for regulatory purposes or deposited with clearing organizations.
(2) Investments that are non-qualifying for Investment Accounting purposes, primarily equity investments, which includes Merrill Lynch's investment in BlackRock, Inc.

Refer to Note 1 for Merrill Lynch's accounting policy regarding other-than-temporary-impairment of investment securities. For the three and six months ended June 30, 2010, other-than-temporary impairment charges related to non-agency mortgage-backed available-for-sale securities were $39 million and $125 million, respectively, the credit-related portion of which was $37 million and $123 million, respectively. Other-than-temporary impairments related to available-for-sale securities were $294 million during both the three and six months ended June 30, 2009.

The impairment amounts reported for the quarterly periods reflect other-than-temporary losses associated with only those securities that were impaired during that quarter. The year-to-date amounts reflect the impact of all securities for which impairment losses were recognized in earnings during that period, and ongoing changes in the fair value of those securities.

Information regarding investment securities subject to Investment Accounting follows.

(dollars in millions)

	June 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale				
Mortgage-backed securities:				
Agency collateralized mortgage obligations	$ 738	$ 5	$ -	$ 743
Non-agency	1,055	94	(158)	991
Total	1,793	99	(158)	1,734
Held-to-Maturity				
Corporate debt and municipal	252	-	-	252
Total	$ 2,045	$ 99	$ (158)	$1,986

(dollars in millions)

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale				
Mortgage-backed securities:				
Agency collateralized mortgage obligations	$ 14,775	$ 449	$ (11)	$15,213
Non-agency	1,952	154	(501)	1,605
Total Available-for-Sale Securities	16,727	603	(512)	16,818
Held-to-Maturity				
Corporate debt and municipal	246	-	-	246
Total	$ 16,973	$ 603	$ (512)	$17,064

As a result of the acquisition of Merrill Lynch by Bank of America, and the new cost bases established on January 1, 2009, there were no available-for-sale securities in an unrealized loss position for greater than one year as of December 31, 2009. The following table presents fair value and unrealized losses, after hedges, for available-for-sale securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at June 30, 2010.

(dollars in millions)

	Less Than 1 Year		More than 1 Year		Total	
Asset Category	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Non-agency collateralized mortgage obligations	$ 126	$ (18)	$ 373	$ (140)	$ 499	$ (158)

The amortized cost and fair value of available-for-sale debt securities by expected maturity for mortgage-backed securities and contractual maturity for other debt securities at June 30, 2010 are as follows:

(dollars in millions)

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 476	$ 474	$ -	$ -
Due after one year through five years	963	930	252	252
Due after five years through ten years	138	137	-	-
Due after ten years	216	193	-	-
Total(1)	$ 1,793	$1,734	$ 252	$252

(1) Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay their obligations with or without prepayment penalties.

The proceeds and gross realized gains/(losses) from the sale of available-for-sale securities during the three and six months ended June 30, 2010 are as follows:

(dollars in millions)

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Proceeds	$ 1,400	$ 14,827
Gross realized gains	60	406
Gross realized losses	(253)	(255)

Equity Method Investments

Summarized financial information for Merrill Lynch's most significant equity method investee, BlackRock, Inc., is as follows:

(dollars in millions)

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Revenues	$ 2,032	$ 4,027
Operating income	697	1,351
Earnings before income taxes	622	1,278
Net earnings	432	855

Note 9. Securitizations and Other Variable Interest Entities ("VIEs")

Merrill Lynch utilizes VIEs in the ordinary course of business to support its own and its customers' financing and investing needs. Merrill Lynch securitizes loans and debt securities using VIEs as a source of funding and as a means of transferring the economic risk of the loans or debt securities to third parties. Merrill Lynch also administers, structures or invests in other VIEs including multi-seller conduits, municipal bond trusts, CDOs and other entities as described in more detail below.

The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and consolidates the VIE. In accordance with new consolidation guidance effective January 1, 2010, Merrill Lynch is deemed to have a controlling financial interest and is the primary beneficiary of a VIE if it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. As a result of this change in accounting, Merrill Lynch consolidated or deconsolidated certain VIEs and former QSPEs on January 1, 2010 that were previously unconsolidated or consolidated. The net incremental impact of this accounting change on

Merrill Lynch's Condensed Consolidated Balance Sheet is set forth in the table below. The net effect of the accounting change was recorded as an adjustment to beginning retained earnings, net of tax.

(dollars in millions)

	Ending Balance Sheet December 31, 2009	Net Increase / (Decrease)	Opening Balance Sheet January 1, 2010
Assets			
Trading assets, at fair value	$ 90,743	$ 6,217	$ 96,960
Derivative assets	49,582	(2,413)	47,169
Investment securities	32,840	1,093	33,933
Loans, notes, and mortgages (net)	37,663	(333)	37,330
All other assets	268,367	3,287	271,654
Total Assets	$ 479,195	$ 7,851	$ 487,046
Liabilities			
Short-term borrowings	$ 853	$ 5,013	$ 5,866
Trading liabilities, at fair value	30,340	-	30,340
Derivative liabilities	35,120	(313)	34,807
Long-term borrowings	151,399	3,067	154,466
All other liabilities	220,345	228	220,573
Total Liabilities	438,057	7,995	446,052
Retained earnings	4,583	(144)	4,439
All other stockholders' equity	36,555	-	36,555
Total Stockholders' Equity	41,138	(144)	40,994
Total Liabilities and Stockholders' Equity	$ 479,195	$ 7,851	$ 487,046

Certain tables below present the assets and liabilities of consolidated and unconsolidated VIEs if Merrill Lynch has continuing involvement with transferred assets or if Merrill Lynch otherwise has a variable interest in the VIE. For consolidated VIEs, these amounts are net of intercompany balances. The tables also present Merrill Lynch's exposure to loss resulting from its involvement with consolidated VIEs and unconsolidated VIEs in which Merrill Lynch holds a variable interest as of June 30, 2010 and December 31, 2009. Merrill Lynch's maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on Merrill Lynch's Condensed Consolidated Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements. Merrill Lynch's maximum exposure to loss does not include losses previously recognized.

Merrill Lynch invests in asset-backed securities issued by third party VIEs with which it has no other form of involvement. These securities are described in more detail in Note 8. In addition, Merrill Lynch uses VIEs such as trust preferred securities trusts in connection with its funding activities, as described in more detail in Note 12.

Except as described below, Merrill Lynch has not provided financial support to consolidated or unconsolidated VIEs that it was not contractually required to provide, nor does it intend to do so.

Loan VIEs

Merrill Lynch securitizes mortgage loans that it originates or purchases from third parties. In certain circumstances, Merrill Lynch has continuing involvement with the securitized loans as servicer of the loans. Merrill Lynch may also retain beneficial interests in the securitization vehicles including senior and subordinated securities, and the equity tranche. Except as described below, Merrill Lynch does not provide guarantees to the securitization vehicles and investors do not have recourse to Merrill Lynch other than through standard representations and warranties.

Securitization activity for residential and commercial mortgages was not material for the three and six months ended June 30, 2010 and June 30, 2009.

The following table summarizes certain information related to Loan VIEs in which Merrill Lynch is either the transferor, servicer or sponsor and holds a variable interest as of June 30, 2010 and December 31, 2009.

(dollars in millions)

	Non-Agency					
	Prime		Subprime		Commercial Mortgage	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Unconsolidated VIEs:						
Maximum loss exposure(1)(2)	$ 32	$ 99	$ 503	$ 1,143	$ 111	$ 101
Senior securities held(3)						
Trading assets	$ 2	$ 3	$ 14	$ 10	$ -	$ -
Investment securities	7	-	1	-	-	-
Subordinated securities held(3)						
Trading assets	-	-	18	-	-	-
Investment securities	-	-	25	-	-	-
Residual interests held	14	9	4	2	35	39
Total retained securities	$ 23	$ 12	$ 62	$ 12	$ 35	$ 39
Principal balance outstanding(4)	$ 595	$ 923	$31,524	$ 33,296	$ 7,251	$ 7,915
Consolidated VIEs:						
Maximum loss exposure(1)	$ 67	$ 472	$ 595	$ 1,234	$ -	$ -
Derivative contracts	$ 64	$ 72	$ 89	$ 163	$ -	$ -
Loans, notes, and mortgages	-	436	1,766	1,746	-	-
Other assets	3	14	93	108	-	-
Total assets	$ 67	$ 522	$ 1,948	$ 2,017	$ -	$ -
Long-term borrowings	$ -	$ 48	$ 1,391	$ 1,030	$ -	$ -
Derivative contracts	-	-	-	3	-	-
Other liabilities	-	3	31	-	-	-
Total liabilities	$ -	$ 51	$ 1,422	$ 1,033	$ -	$ -

(1) Maximum loss exposure excludes liabilities for representations and warranties.
(2) Maximum loss exposure at December 31, 2009 included servicing assets that were transferred to a subsidiary of Bank of America in the first quarter of 2010.
(3) Substantially all of the securities were in Level 2 in the fair value hierarchy.
(4) Principal balance outstanding includes those loans that Merrill Lynch transferred and with which it has continuing involvement.

In accordance with the new consolidation guidance, Merrill Lynch consolidates Loan VIEs in which it has a controlling financial interest. For loan securitizations, Merrill Lynch is considered to have a controlling financial interest (i.e., is the primary beneficiary) when it is the servicer of the loans and also holds a financial interest that could potentially be significant to the entity. If Merrill Lynch is not the servicer of an entity or does not hold a financial interest that could be significant to the entity, Merrill Lynch does not have a controlling financial interest and does not consolidate the entity. Merrill Lynch does not have a controlling financial interest in and does not consolidate agency trusts unless Merrill Lynch holds all of the issued securities and has the unilateral right to liquidate the trust. Prior to 2010, most of the Loan VIEs met the definition of a QSPE and, as such, were not subject to consolidation.

Merrill Lynch sells mortgage loans to VIEs with various representations and warranties related to, among other things, the ownership of the loan, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, the process used in selecting the loans for inclusion in a transaction, the loan's compliance with any applicable loan criteria established by the buyer, and the loan's compliance with applicable local, state and federal laws. Under these representations and warranties, Merrill Lynch may be required to repurchase mortgage loans with the identified defects or indemnify or provide other recourse to the investor or insurer. In such cases, Merrill Lynch bears any subsequent credit loss on the mortgage loans. Merrill Lynch's representations and warranties are generally not subject to stated limits and extend over the life of the loans; however, most claims occur within the first few years. See Note 14.

Municipal Bond Securitizations

Merrill Lynch sponsors municipal bond trusts that hold highly-rated, long-term, fixed-rate municipal bonds, some of which are callable prior to maturity. The vast majority of the bonds are rated AAA or AA and some of the bonds benefit from insurance provided by monoline financial guarantors. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a frequent basis to third party investors. Merrill Lynch may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days' notice. Should Merrill Lynch be unable to remarket the tendered certificates, it is generally obligated to purchase them at par under standby liquidity facilities. Merrill Lynch is not obligated to purchase the certificates under the standby liquidity facilities if the underlying bonds' credit rating declines below investment grade or in certain events of default or bankruptcy of the issuer and insurer.

In addition to standby liquidity facilities, Merrill Lynch provides default protection or credit enhancement to investors in securities issued by certain municipal bond trusts. Interest and principal payments on floating-rate certificates issued by these trusts are secured by an unconditional guarantee issued by Merrill Lynch. In the event that the issuer of the underlying municipal bond defaults on any payment of principal and/or interest when due, Merrill Lynch will make any required payments to the holders of the floating-rate certificates.

Merrill Lynch or an investor may hold the residual interest in the trust. If an investor holds the residual interest, that investor typically has the unilateral ability to liquidate the trust at any time, while Merrill Lynch typically has the ability to trigger the liquidation of that trust only if the market value of the bonds held in the trust declines below a specified threshold. The weighted average remaining life of bonds held at June 30, 2010 was 12.8 years.

The following table summarizes certain information related to municipal bond trusts in which Merrill Lynch holds a variable interest as of June 30, 2010 and December 31, 2009.

(dollars in millions)

	June 30, 2010			December 31, 2009		
	Consolidated	**Unconsolidated**	**Total**	**Consolidated**	**Unconsolidated**	**Total**
Maximum Loss Exposure	$ 4,390	$ 1,482	$5,872	$ 138	$ 4,971	$5,109
On-balance sheet assets						
Trading assets	$ 4,390	$ 274	$4,664	$ 138	$ 97	$ 235
Total	$ 4,390	$ 274	$4,664	$ 138	$ 97	$ 235
On-balance sheet liabilities						
Derivative contracts	$ -	$ -	$ -	$ 2	$ 287	$ 289
Short-term borrowings	4,603	-	4,603	-	-	-
Total	$ 4,603	$ -	$4,603	$ 2	$ 287	$ 289
Total assets of VIEs	$ 4,390	$ 1,599	$5,989	$ 138	$ 5,264	$5,402

In accordance with the new consolidation guidance, on January 1, 2010, Merrill Lynch consolidated $5.1 billion of municipal bond trusts in which it had a controlling financial interest. As transferor of assets into a trust, Merrill Lynch had the power to determine which assets would be held in the trust and to structure the liquidity facilities, default protection and credit enhancement, if applicable. In some instances, Merrill Lynch retained a residual interest in such trusts and had loss exposure that could potentially be significant to the trust through the residual interest, liquidity facilities and other arrangements. Merrill Lynch was also the remarketing agent, through which it has the power to direct the activities that most significantly impact economic performance. Accordingly, Merrill Lynch is the primary beneficiary of and consolidated these trusts. In other instances, one or more third party investor(s) hold(s) the residual interest and, through that interest, has the right to liquidate the trust. Merrill Lynch does not consolidate these trusts.

Prior to 2010, most of the municipal bond trusts were QSPEs and, as such, were not subject to consolidation by Merrill Lynch. Merrill Lynch consolidated those trusts that were not QSPEs if it held the residual interests or otherwise expected to absorb a majority of the variability created by changes in fair value of assets in the trusts. Merrill Lynch did not consolidate a trust if third party investors held the residual interest and Merrill Lynch was protected from loss in connection with its liquidity obligations.

In the three and six months ended June 30, 2010, Merrill Lynch was the transferor of assets into unconsolidated municipal bond trusts and received cash proceeds from new securitizations of $370 million and $783 million, respectively, as compared with $176 million in each of the same periods of 2009. At June 30, 2010 and December 31, 2009, the principal balance outstanding for unconsolidated municipal bond securitization trusts for which Merrill Lynch was the transferor was $1.5 billion and $5.3 billion, respectively.

Merrill Lynch's liquidity commitments to unconsolidated municipal bond trusts totaled $1.2 billion and $4.9 billion at June 30, 2010 and December 31, 2009, respectively. At June 30, 2010 and December 31, 2009, Merrill Lynch held $274 million and $61 million of floating-rate certificates, respectively, issued by unconsolidated municipal bond trusts in trading assets. At December 31, 2009, Merrill Lynch also held residual interests of $36 million. See Note 14.

Collateralized Debt Obligations (CDOs)

CDO vehicles hold diversified pools of fixed income securities, typically corporate debt or asset-backed securities, which they fund by issuing multiple tranches of debt and equity securities. Synthetic CDOs enter into a portfolio of credit default swaps to synthetically create exposure to fixed income securities. Collateralized Loan Obligations (CLOs) are a subset of CDOs that hold pools of loans, typically corporate loans or commercial mortgages. CDOs are typically managed by third party portfolio managers. Merrill Lynch transfers assets to these CDOs, holds securities issued by the CDOs, and may be a derivative counterparty to the CDOs, including credit default swap counterparty for synthetic CDOs. Merrill Lynch has also entered into total return swaps with certain CDOs whereby Merrill Lynch will absorb the economic returns generated by specified assets held by the CDO. Merrill Lynch receives fees for structuring CDOs and providing liquidity support for super senior tranches of securities issued by certain CDOs.

The following table summarizes certain information related to CDO vehicles in which Merrill Lynch holds a variable interest as of June 30, 2010 and December 31, 2009.

(dollars in millions)

	June 30, 2010			December 31, 2009		
	Consolidated	Unconsolidated	Total	Consolidated	Unconsolidated	Total
Maximum Loss Exposure	$ 2,429	$ 3,376	$ 5,805	$ 2,449	$ 5,942	$ 8,391
On-balance sheet assets						
Trading assets	$ 2,898	$ 483	$ 3,381	$ 2,785	$ 700	$ 3,485
Derivative contracts	-	1,103	1,103	-	2,085	2,085
Other assets	3	129	132	-	166	166
Total	$ 2,901	$ 1,715	$ 4,616	$ 2,785	$ 2,951	$ 5,736
On-balance sheet liabilities						
Derivative contracts	$ 10	$ 23	$ 33	$ -	$ 801	$ 801
Long-term borrowings	3,031	-	3,031	2,753	-	2,753
Total	$ 3,041	$ 23	$ 3,064	$ 2,753	$ 801	$ 3,554
Total assets of VIEs	$ 2,901	$ 45,318	$48,219	$ 2,785	$ 51,017	$53,802

In accordance with the new consolidation guidance, on January 1, 2010, Merrill Lynch consolidated $220 million of CDOs in which it has a controlling financial interest. Merrill Lynch does not routinely serve as collateral manager for CDOs and therefore does not typically have the power to direct the activities that most significantly impact the economic performance of a CDO. However, following an event of default, if Merrill Lynch is a majority holder of senior securities issued by a CDO and acquires the power to manage the assets of the CDO, Merrill Lynch consolidates the CDO. Generally, the creditors of the consolidated CDOs have no recourse to the general credit of Merrill Lynch. Prior to 2010, Merrill Lynch evaluated whether it must consolidate a CDO based principally on a determination of which party was expected to absorb a majority of the credit risk created in the CDO. In most circumstances Merrill Lynch did not consolidate these entities because it did not absorb a majority of the economic risks and rewards of the vehicles.

At June 30, 2010, Merrill Lynch had $2.2 billion notional amount of super senior liquidity exposure to CDO vehicles. This amount includes $920 million notional amount of liquidity support provided to certain synthetic CDOs, including $333 million to a consolidated CDO, in the form of unfunded lending commitments related to super senior securities. The lending commitments obligate Merrill Lynch to purchase the super senior CDO securities at par value if the CDOs need cash to make payments due under credit default swaps held by the CDOs. Merrill Lynch also had $1.3 billion notional amount of liquidity exposure to non-VIE third parties that hold super senior cash positions on Merrill Lynch's behalf.

Liquidity-related commitments also include $1.4 billion notional amount of derivative contracts with unconsolidated VIEs, principally CDO vehicles, which hold non-super senior CDO debt securities. These derivatives are typically in the form of total return swaps which obligate Merrill Lynch to purchase the securities at the VIE's cost to acquire the securities, generally as a result of ratings downgrades. The underlying securities are senior securities and substantially all of Merrill Lynch's exposures are insured. Accordingly, Merrill Lynch's exposure to loss consists principally of counterparty risk to the insurers. These derivatives are included in the $1.5 billion notional amount of derivative contracts through which Merrill Lynch obtains funding from third party VIEs, discussed in Note 6.

Merrill Lynch's $3.6 billion of aggregate liquidity exposure to CDOs at June 30, 2010 is included in the above table to the extent that Merrill Lynch sponsored the CDO vehicle or the liquidity exposure to the CDO vehicle is more than insignificant as compared to total assets of the CDO vehicle. Liquidity exposure included in the table is reported net of previously recorded losses.

Merrill Lynch's maximum exposure to loss is significantly less than the total assets of the CDO vehicles in the table above because Merrill Lynch typically has exposure to only a portion of the total assets. Merrill Lynch has also purchased credit protection from some of the same CDO vehicles in which it invested, thus reducing net exposure to future loss.

Customer Vehicles

Customer vehicles primarily include credit-linked and equity-linked note vehicles, which are typically created on behalf of customers who wish to obtain exposure to, for example, a specific company or financial instrument. Credit-linked and equity-linked note vehicles issue notes which pay a return that is linked to the specific credit or equity risk. The vehicles purchase high-grade assets as collateral and enter into credit default swaps or equity derivatives to synthetically create the credit or equity risk required to pay the specified return on the notes issued by the vehicles.

The following table summarizes certain information related to customer vehicles in which Merrill Lynch holds a variable interest as of June 30, 2010 and December 31, 2009.

(dollars in millions)

	June 30, 2010			December 31, 2009		
	Consolidated	**Unconsolidated**	**Total**	**Consolidated**	**Unconsolidated**	**Total**
Maximum Loss Exposure	$ 3,160	$ 3,268	$6,428	$ 277	$ 7,681	$ 7,958
On-balance sheet assets						
Trading assets	$ 1,802	$ 70	$1,872	$ 183	$ 243	$ 426
Derivative contracts	-	935	935	78	3,354	3,432
Loans, notes, and mortgages	-	-	-	-	65	65
Other assets	2,247	16	2,263	16	-	16
Total	$ 4,049	$ 1,021	$5,070	$ 277	$ 3,662	$ 3,939
On-balance sheet liabilities						
Derivative contracts	$ -	$ 46	$ 46	$ -	$ 205	$ 205
Short-term borrowings	18	-	18	22	-	22
Long-term borrowings	2,309	-	2,309	50	74	124
Other liabilities	-	133	133	-	681	681
Total	$ 2,327	$ 179	$2,506	$ 72	$ 960	$ 1,032
Total assets of VIEs	$ 4,049	$ 5,519	$9,568	$ 277	$ 10,387	$10,664

In accordance with the new consolidation guidance, on January 1, 2010, Merrill Lynch consolidated $5.4 billion of customer vehicles in which it had a controlling financial interest. Merrill Lynch typically has control over the initial design of the vehicle and may also have the ability to replace the collateral assets. Merrill Lynch consolidates these vehicles if it also absorbs potentially significant gains or losses through derivative contracts or investments. Merrill Lynch does not consolidate a vehicle if a single investor controlled the initial design of the vehicle or if Merrill Lynch does not have a variable interest that could potentially be significant to the vehicle. Credit-linked and equity-linked note vehicles were generally not consolidated prior to 2010 because Merrill Lynch typically did not absorb a majority of the economic risks and rewards of the vehicles.

Merrill Lynch is typically the counterparty for the credit and equity derivatives, and it may invest in securities issued by the vehicles. Merrill Lynch may also enter into interest rate or foreign currency derivatives with the vehicles. In certain instances, Merrill Lynch has entered into derivative contracts, typically total return swaps, with vehicles which obligate Merrill Lynch to purchase securities held as collateral at the vehicle's cost, generally as a result of ratings downgrades. At June 30, 2010, the notional amount of such derivative contracts with unconsolidated vehicles was $149 million. This amount is included in the $1.5 billion notional amount of derivative contracts through which Merrill Lynch obtains funding from unconsolidated VIEs, described in Note 6. Merrill Lynch also had approximately $453 million of other liquidity commitments, including written put options and collateral value guarantees, with unconsolidated credit-linked and equity-linked note vehicles at June 30, 2010.

Real Estate and other VIEs

Real Estate and other VIEs primarily includes a real estate investment fund that is a VIE, investments in VIEs that hold investment property and certain hedge fund investment entities.

The following table summarizes certain information related to Real Estate and other VIEs in which Merrill Lynch holds a variable interest as of June 30, 2010 and December 31, 2009.

(dollars in millions)

	June 30, 2010			December 31, 2009		
	Consolidated	**Unconsolidated**	**Total**	**Consolidated**	**Unconsolidated**	**Total**
Maximum Loss Exposure	$ 1,767	$ 2,054	$3,821	$ 1,342	$ 278	$1,620
On-balance sheet assets(1)						
Trading assets	$ 192	$ -	$ 192	$ 86	$ -	$ 86
Derivative contracts	-	249	249	-	21	21
Investment securities	1,742	88	1,830	-	-	-
Loans, notes, and mortgages	290	1,736	2,026	313	257	570
Other assets	339	18	357	1,093	-	1,093
Total	$ 2,563	$ 2,091	$4,654	$ 1,492	$ 278	$1,770
On-balance sheet liabilities						
Derivative contracts	$ -	$ 9	$ 9	$ -	$ 127	$ 127
Long-term borrowings	20	74	94	32	-	32
Other liabilities	935	-	935	78	-	78
Total	$ 955	$ 83	$1,038	$ 110	$ 127	$ 237
Total assets of VIEs(1)	$ 2,563	$ 5,741	$8,304	$ 1,492	$ 776	$2,268

(1) In prior periods, unconsolidated real estate vehicles were generally considered VREs because they had sufficient equity to finance their operations when they were initially established. As such, most of these entities were not included in the December 31, 2009 unconsolidated information.

In accordance with the new consolidation guidance, on January 1, 2010, Merrill Lynch consolidated $1.5 billion of real estate and other VIEs in which it has a controlling financial interest. Merrill Lynch has established real estate investment funds designed to provide returns to clients through limited partnership holdings. Merrill Lynch is the general partner, making management decisions, and also has a limited partnership interest in these funds. In certain of these real estate funds, Merrill Lynch acts as investment advisor. In such capacity, Merrill Lynch provides these services for the benefit of clients. Such activities inherently involve risk to Merrill Lynch and investors, and in certain instances may result in loss. Although it is without any obligation or commitment to do so, Merrill Lynch anticipates providing more than an insignificant amount of support to a particular fund, and therefore considers that entity to be a VIE. The fund is consolidated by Merrill Lynch because it has a controlling financial interest through its general and limited partnership interests.

Merrill Lynch invests in real estate lending vehicles and establishes vehicles to hold real estate investments. In certain instances these entities do not have sufficient equity to finance operations and are therefore considered VIEs. Merrill Lynch consolidates these vehicles when it has decision-making power over the property held by the vehicle and absorbs potentially significant gains or losses through its equity or loan investment.

Other Transactions

Prior to 2010, Merrill Lynch transferred pools of securities to certain independent third parties and provided financing for approximately 75 percent of the purchase price under asset-backed financing arrangements. At June 30, 2010 and December 31, 2009, Merrill Lynch's maximum loss exposure under these financing arrangements was $6.4 billion and $6.8 billion, respectively, substantially all of which was recorded as loans, notes and mortgages on Merrill Lynch's Condensed Consolidated Balance Sheet. All principal and interest payments have been received when due in accordance with their contractual terms. These arrangements are not included in the tables above because the purchasers are not VIEs.

Note 10. Loans, Notes, Mortgages and Related Commitments to Extend Credit

Loans, notes, mortgages and related commitments to extend credit include:

- Consumer loans, which are substantially secured, including residential mortgages, home equity loans, and other loans to individuals for household, family, or other personal expenditures; and
- Commercial loans including corporate and institutional loans (including corporate and financial sponsor, non-investment grade lending commitments), commercial mortgages, asset-based loans, small- and middle-market business loans, and other loans to businesses.

Loans, notes, mortgages and related commitments to extend credit at June 30, 2010 and December 31, 2009, are presented below. This disclosure includes commitments to extend credit that, if drawn upon, will result in loans held for investment or loans held for sale.

(dollars in millions)

	Loans		Commitments(1)	
	June 30, 2010	**December 31, 2009**	**June 30, 2010(2)(3)**	**December 31, 2009**
Consumer:				
Mortgages	$ 3,959	$ 4,700	$ 155	$ 167
Other	8,465	8,969	21	20
Commercial and small- and middle-market business:				
Investment grade	10,365	11,105	5,978	6,187
Non-investment grade	9,841	12,922	3,509	4,170
	32,630	37,696	9,663	10,544
Allowance for loan losses	(54)	(33)	-	-
Reserve for lending-related commitments(4)	-	-	(574)	(825)
Total, net	$32,576	$ 37,663	$ 9,089	$ 9,719

(1) Commitments are outstanding as of the date the commitment letter is issued and are comprised of closed and contingent commitments. Closed commitments represent the unfunded portion of existing commitments available for draw down. Contingent commitments are contingent on the borrower fulfilling certain conditions or upon a particular event, such as an acquisition. A portion of these contingent commitments may be syndicated among other lenders or the counterparty may replace the commitment with capital markets funding.

(2) See Note 14 for a maturity profile of these commitments.

(3) In addition to the loan origination commitments included in the table above, Merrill Lynch had agreements to purchase $700 million of loans that, upon settlement of the commitment, will be classified in loans held for investment or loans held for sale. See Note 14 for additional information.

(4) Amounts are included within other payables on the Condensed Consolidated Balance Sheets.

Activity in the allowance for loan losses is presented below:

(dollars in millions)

	Six Months Ended June 30, 2010	**Six Months Ended June 30, 2009(1)**
Allowance for loan losses, at beginning of period	$ 33	$ -
Provision for loan losses	81	237
Charge-offs	(62)	-
Recoveries	-	4
Net (charge-offs)/recoveries	(62)	4
Other	2	1
Allowance for loan losses, at end of period	$ 54	$ 242

(1) The allowance for loan losses as of December 26, 2008 was eliminated as of January 1, 2009 as a result of purchase accounting adjustments.

Consumer loans, substantially all of which are collateralized, consisted of approximately 139,000 individual loans at June 30, 2010. Commercial loans consisted of approximately 1,000 separate loans. The principal balance of non-accrual loans was $1.6 billion at June 30, 2010 and $2.8 billion at December 31, 2009. The investment grade and non-investment grade categorization is determined using the credit rating agency equivalent of internal credit ratings. Non-investment grade counterparties are those rated lower than the BBB- category.

The above amounts include $6.2 billion and $7.7 billion of loans held for sale at June 30, 2010 and December 31, 2009, respectively. Loans held for sale are loans that Merrill Lynch expects to sell prior to maturity. At June 30, 2010, such loans consisted of $3.0 billion of consumer loans, primarily residential mortgages, and $3.2 billion of commercial loans, approximately 2% of which were to investment grade counterparties. At December 31, 2009, such loans consisted of $3.6 billion of consumer loans, primarily residential mortgages, and $4.1 billion of commercial loans, approximately 9% of which were to investment grade counterparties.

In some cases, Merrill Lynch enters into single name and index credit default swaps to mitigate credit exposure related to funded and unfunded commercial loans. The notional value of these swaps totaled $3.0 billion and $3.2 billion at June 30, 2010 and December 31, 2009, respectively. The following tables provide information regarding Merrill Lynch's net credit default protection associated with its funded and unfunded commercial loans as of June 30, 2010:

Net Credit Default Protection by Maturity Profile

	June 30, 2010
Less than or equal to one year	20%
Greater than one year and less than or equal to five years	70
Greater than five years	10
Total net credit default protection	100%

Net Credit Default Protection by Credit Exposure Debt Rating
(dollars in millions)

	June 30, 2010	
Ratings(1)	**Net Notional**	**Percent**
AA	$ (465)	15.4%
A	(1,042)	34.6
BBB	(620)	20.6
BB	(384)	12.7
B	(299)	9.9
CCC and below	(184)	6.1
NR	(21)	0.7
Total net credit default protection	$ (3,015)	100.0%

(1) Merrill Lynch considers ratings of BBB- or higher to meet the definition of investment grade.

Note 11. Goodwill and Intangible Assets

Goodwill

Goodwill is the cost of an acquired company in excess of the fair value of identifiable net assets at the acquisition date. Goodwill is tested annually (or more frequently under certain conditions) for impairment at the reporting unit level in accordance with ASC 350, *Intangibles — Goodwill and Other* ("Goodwill and Intangible Assets Accounting"). If the fair value of the reporting unit exceeds its carrying value, its goodwill is not deemed to be impaired. If the fair value is less than the carrying value, a further analysis is required to determine the amount of impairment, if any. Merrill Lynch's next annual impairment test will be performed during the third quarter of 2010, based on financial information as of June 30, 2010.

The carrying amount of goodwill was $4.7 billion and $4.6 billion at June 30, 2010 and December 31, 2009, respectively.

Intangible Assets

Intangible assets with definite lives at June 30, 2010 and December 31, 2009 consisted primarily of value assigned to customer relationships. Intangible assets with definite lives are tested for impairment in accordance with ASC 360, *Property, Plant and Equipment* whenever certain conditions exist which would indicate the carrying amounts of such assets may not be recoverable. Intangible assets with definite lives are amortized over their respective estimated useful lives. Intangible assets with indefinite lives consist of value assigned to the Merrill Lynch brand and are tested for impairment in accordance with Goodwill and Intangible Assets Accounting. Intangible assets with indefinite lives are not amortized.

The gross carrying amounts of intangible assets with definite lives were $3.1 billion at both June 30, 2010 and December 31, 2009. Accumulated amortization of intangible assets amounted to $463 million and $309 million at June 30, 2010 and December 31, 2009, respectively. The carrying amounts of intangible assets with indefinite lives were $1.5 billion at both June 30, 2010 and December 31, 2009.

Amortization expense was $77 million and $154 million, respectively, for the three and six months ended June 30, 2010, and $112 million and $225 million, respectively, for the three and six months ended June 30, 2009.

Note 12. Borrowings and Deposits

Prior to Merrill Lynch's acquisition by Bank of America, ML & Co. was the primary issuer of Merrill Lynch's debt instruments. Debt instruments were also issued by certain subsidiaries. ML & Co. is no longer a primary issuer of new unsecured borrowings under the Bank of America platform. Bank of America has not assumed or guaranteed the long-term debt that was issued or guaranteed by ML & Co. or its subsidiaries prior to the acquisition of Merrill Lynch by Bank of America. Beginning late in the third quarter of 2009, in connection with the update or renewal of certain Merrill Lynch international securities offering programs, Bank of America agreed to guarantee debt securities, warrants and/or certificates issued by certain subsidiaries of ML & Co. on a going forward basis. All existing ML & Co. guarantees of securities issued by those same Merrill Lynch subsidiaries under various international securities offering programs will remain in full force and effect as long as those securities are outstanding, and Bank of America has not assumed any of those prior ML & Co. guarantees or otherwise guaranteed such securities. There were approximately $2.6 billion of securities guaranteed by Bank of America at June 30, 2010.

Following the completion of Bank of America's acquisition of Merrill Lynch, ML & Co. became a subsidiary of Bank of America and established intercompany lending and borrowing arrangements to facilitate centralized liquidity management. Included in these intercompany agreements is a $75 billion one-year revolving unsecured line of credit that allows ML & Co. to borrow funds from Bank of America for operating requirements at a spread to LIBOR that is reset periodically and is consistent with other intercompany agreements. This credit line was renewed effective January 1, 2010 with a maturity date of January 1, 2011. The credit line will automatically be extended by one year to the succeeding January 1st unless Bank of America provides written notice not to extend at least 45 days prior to the maturity date. The agreement does not contain any financial or other covenants. There were no outstanding borrowings against the line of credit at June 30, 2010.

The value of Merrill Lynch's debt instruments as recorded on the Condensed Consolidated Balance Sheets does not necessarily represent the amount that will be repaid at maturity. This is due to the following:

- As a result of the acquisition by Bank of America, all debt instruments were adjusted to fair value on January 1, 2009;
- Certain debt issuances are accounted for at fair value and incorporate changes in Merrill Lynch's creditworthiness as well as other underlying risks (see Note 4);
- Certain structured notes whose coupon or repayment terms are linked to the performance of debt and equity securities, indices, currencies or commodities reflect the fair value of those risks; and
- Certain debt issuances are adjusted for the impact of fair value hedge accounting (see Note 6).

Total borrowings at June 30, 2010 and December 31, 2009, which are comprised of short-term borrowings, long-term borrowings and junior subordinated notes (related to trust preferred securities), consisted of the following:

(dollars in millions)

	June 30, 2010	December 31, 2009
Senior debt	$ 74,088	$ 87,046
Senior structured notes	40,309	49,187
Subordinated debt	11,174	11,115
Junior subordinated notes (related to trust preferred securities)	3,563	3,552
Other subsidiary financing	1,592	969
Debt issued by consolidated VIEs	11,372	3,935
Total	$142,098	$ 155,804

Borrowings and deposits at June 30, 2010 and December 31, 2009, are presented below:

(dollars in millions)

	June 30, 2010	December 31, 2009
Short-term borrowings		
Other unsecured short-term borrowings	$ 2,180	$ 831
Short-term debt issued by consolidated VIEs(1)	4,621	22
Total	$ 6,801	$ 853
Long-term borrowings(2)		
Fixed-rate obligations(3)	$ 68,426	$ 74,119
Variable-rate obligations(4)(5)	56,541	73,351
Other obligations and Zero-coupon contingent convertible debt (LYONs®)	16	16
Long-term debt issued by consolidated VIEs(1)	6,751	3,913
Total	$131,734	$ 151,399
Deposits		
Non-U.S.	$ 12,961	$ 15,187

(1) See Note 9 for additional information on debt issued by consolidated VIEs.
(2) Excludes junior subordinated notes (related to trust preferred securities).
(3) Fixed-rate obligations are generally swapped to variable rates.
(4) Variable interest rates are generally based on rates such as LIBOR, the U.S. Treasury Bill Rate, or the Federal Funds Rate.
(5) Includes structured notes.

See Note 5 for additional information on the fair value of long-term borrowings.

The weighted-average interest rates for borrowings at June 30, 2010 and December 31, 2009 (excluding structured products) were as follows:

	June 30, 2010	December 31, 2009
Short-term borrowings	0.4%	2.0%
Long-term borrowings	3.7	3.7
Junior subordinated notes (related to trust preferred securities)	6.9	6.9

Merrill Lynch also obtains standby letters of credit from issuing banks to satisfy various counterparty collateral requirements, in lieu of depositing cash or securities collateral. Such standby letters of credit aggregated $1.8 billion and $1.4 billion at June 30, 2010 and December 31, 2009, respectively.

Long-Term Borrowings

At June 30, 2010, long-term borrowings mature as follows:

(dollars in millions)

	Amount	Percentage of Total
Less than 1 year	$ 24,407	19%
1 – 2 years	21,360	16
2 – 3 years	17,049	13
3 – 4 years	19,073	14
4 – 5 years	8,707	7
Greater than 5 years	41,138	31
Total	$131,734	100%

Certain long-term borrowing agreements contain provisions whereby the borrowings are redeemable at the option of the holder ("put" options) at specified dates prior to maturity. These borrowings are reflected in the above table as maturing at their put dates, rather than their contractual maturities. However, Merrill Lynch believes that a portion of such borrowings will remain outstanding beyond their earliest redemption date.

The maturity of certain structured notes whose coupon or repayment terms are linked to the performance of debt and equity securities, indices, currencies or commodities may be accelerated based on the value of a referenced index or security, in which case Merrill Lynch may be required to immediately settle the obligation for cash or other securities. These notes are included in the portion of long-term debt maturing in less than a year.

Senior and subordinated debt obligations do not contain provisions that could, upon an adverse change in ML & Co.'s credit rating, financial ratios, earnings or cash flows, trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation, except for an immaterial amount of Floating Rate Liquid Yield Option Notes or "LYONs".

See Note 12 to the Consolidated Financial Statements contained in the 2009 Annual Report for additional information on Borrowings.

Note 13. Stockholders' Equity and Earnings Per Share

Preferred Equity

As of June 30, 2010 and December 31, 2009, preferred stockholders' equity consisted of 12,000 shares of 9% non-voting mandatory convertible non-cumulative preferred stock, Series 2, par value $1.00 per share and liquidation preference of $100,000 per share and 5,000 shares of 9% non-voting mandatory convertible non-cumulative preferred stock, Series 3, par value $1.00 per share and liquidation preference of $100,000 per share. The convertible preferred stock is convertible into Bank of America common stock at the option of the holder and will automatically convert into Bank of America common stock on October 15, 2010.

Common Stock

As of the completion of the acquisition of Merrill Lynch by Bank of America, each outstanding share of ML & Co. common stock was converted into 0.8595 shares of Bank of America common stock. Since January 1, 2009, there have been 1,000 shares of ML & Co. common stock outstanding, all of which are owned by Bank of America.

Earnings Per Share

Earnings per share data is not presented for the three and six months ended June 30, 2010 and June 30, 2009 as Merrill Lynch was a wholly-owned subsidiary of Bank of America during those periods.

Note 14. Commitments, Contingencies and Guarantees

Litigation

Merrill Lynch has been named as a defendant in various legal actions, including arbitrations, class actions, and other litigation arising in connection with its activities as a global diversified financial services institution.

Some of the legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or otherwise in financial distress. Merrill Lynch is also involved in investigations and/or proceedings by governmental and self-regulatory agencies.

In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, Merrill Lynch generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

In accordance with applicable accounting guidance, Merrill Lynch establishes an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, Merrill Lynch does not establish an accrued liability. As a litigation or regulatory matter develops, Merrill Lynch, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. Once the loss contingency related to a litigation or regulatory matter is deemed to be both probable and estimable, Merrill Lynch will establish an accrued liability with respect to such loss contingency and continue to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established. Excluding fees paid to external legal service providers, litigation-related expenses of $118 million and $119 million were recognized during the three and six months ended June 30, 2010. Such expenses for the three and six months ended June 30, 2009 were $90 million and $161 million, respectively.

In some of the matters described in Part II, Item 1 of this Form 10-Q, in Part II, Item 1 of Merrill Lynch's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and in Note 14 to the Consolidated Financial Statements included in the 2009 Annual Report, including but not limited to the

Lehman Brothers Holdings, Inc. matters, loss contingencies are not both probable and estimable in the view of management, and accordingly, an accrued liability has not been established for those matters. For those litigation matters disclosed herein, in Part II, Item 1 of Merrill Lynch's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and in Note 14 to the Consolidated Financial Statements included in the 2009 Annual Report, for which a loss is reasonably possible in future periods, whether in excess of a related accrued liability or where there is no accrued liability, the only such matters as to which Merrill Lynch is able to estimate a range of possible loss are those where such range would not be material. Information is provided in Part II, Item I of this Form 10-Q, in Part II, Item 1 of Merrill Lynch's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and included in Note 14 to the Consolidated Financial Statements included in the 2009 Annual Report regarding the nature of these contingencies and, where specified, the amount of the claim associated with these loss contingencies. Based on current knowledge, management does not believe that loss contingencies arising from pending litigation and regulatory matters, including the litigation and regulatory matters described in Part II, Item I of this Form 10-Q, will have a material adverse effect on the consolidated financial position or liquidity of Merrill Lynch. However, in light of the inherent uncertainties involved in these matters, and the very large or indeterminate damages sought in some or all of these matters, an adverse outcome in some or all of these matters could be material to Merrill Lynch's results of operations or cash flows for any particular reporting period.

Commitments

At June 30, 2010, Merrill Lynch's commitments had the following expirations:

(dollars in millions)

		Commitment expiration			
	Total	Less than 1 year	1 - 3 years	3 - 5 years	Over 5 years
Lending commitments	$ 9,663	$ 2,008	$6,071	$1,416	$ 168
Purchasing and other commitments	6,651	3,464	1,432	711	1,044
Operating leases	3,174	717	1,204	597	656
Commitments to enter into forward dated resale and securities borrowing agreements	86,836	86,836	-	-	-
Commitments to enter into forward dated repurchase and securities lending agreements	56,216	56,216	-	-	-
Total	$162,540	$149,241	$8,707	$2,724	$1,868

Lending Commitments

Merrill Lynch enters into commitments to extend credit, predominantly at variable interest rates, in connection with corporate finance, corporate and institutional transactions and asset-based lending transactions. Clients may also be extended loans or lines of credit collateralized by first and second mortgages on real estate, certain liquid assets of small businesses, or securities. These commitments usually have a fixed expiration date and are contingent on certain contractual conditions that may require payment of a fee by the counterparty. Once commitments are drawn upon, Merrill Lynch may require the counterparty to post collateral depending upon creditworthiness and general market conditions. See Note 10 for additional information.

The contractual amounts of these commitments represent the amounts at risk should the contract be fully drawn upon, the client defaults, and the value of the existing collateral becomes worthless. The total amount of outstanding commitments may not represent future cash requirements, as commitments may expire without being drawn.

For lending commitments where the loan will be classified as held for sale upon funding, liabilities associated with unfunded commitments are calculated at the lower of cost or fair value, capturing declines in the fair value of the respective credit risk. For loan commitments where the loan will be classified as held for investment upon funding, liabilities are calculated considering both market and historical loss rates. Loan commitments either held by entities that apply the Broker-Dealer Guide or for which the fair value option was elected are accounted for at fair value.

Purchasing and Other Commitments

Merrill Lynch had commitments to purchase partnership interests, primarily related to private equity and principal investing activities at June 30, 2010 and December 31, 2009 of $1.0 and $1.2 billion, respectively. Merrill Lynch also has entered into agreements with providers of market data, communications, systems consulting, and other office-related services. At both June 30, 2010 and December 31, 2009, minimum fee commitments over the remaining life of these agreements totaled $1.8 billion. Merrill Lynch entered into commitments to purchase loans of $3.2 billion, which, upon settlement of the commitment, will be included in trading assets, loans held for investment or loans held for sale at June 30, 2010. Such commitments totaled $2.2 billion at December 31, 2009. Other purchasing commitments amounted to $0.7 billion and $0.5 billion at June 30, 2010 and December 31, 2009, respectively.

In the normal course of business, Merrill Lynch enters into commitments for underwriting transactions. Settlement of these transactions as of June 30, 2010 would not have a material effect on the Condensed Consolidated Balance Sheet of Merrill Lynch.

In connection with trading activities, Merrill Lynch enters into commitments to enter into resale and securities borrowing and also repurchase and securities lending agreements.

Operating Leases

Merrill Lynch has entered into various non-cancelable long-term lease agreements for premises that expire through 2028. Merrill Lynch has also entered into various non-cancelable short-term lease agreements, which are primarily commitments of less than one year under equipment leases.

Guarantees

Merrill Lynch issues various guarantees to counterparties in connection with certain leasing, securitization and other transactions. Merrill Lynch's guarantee arrangements and their expiration at June 30, 2010 are summarized as follows (see Note 6 for information related to derivative financial instruments within the scope of Guarantees Accounting):

(dollars in millions)

	Expiration					
	Maximum Payout	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**Over 5 years**	**Carrying Value**
Standby liquidity facilities	$ 1,253	$ 595	$ 3	$ 630	$ 25	$ -
Residual value guarantees	415	-	95	320	-	-
Standby letters of credit and other guarantees	24,627	787	182	55	23,603	145

Standby Liquidity Facilities

Standby liquidity facilities are primarily comprised of liquidity facilities provided to certain unconsolidated municipal bond securitization VIEs. In these arrangements, Merrill Lynch is required to fund these standby liquidity facilities if the fair value of the assets held by the VIE declines below par value and certain other contingent events take place. Any payments under the facilities are offset by economic hedges entered into by Merrill Lynch. Based upon historical activity, it is considered remote that future payments would need to be made under these guarantees. Refer to Note 9 for further information.

Auction Rate Security ("ARS") Guarantees

Under the terms of its announced purchase program as augmented by the global agreement reached with the New York Attorney General, the Securities and Exchange Commission, the Massachusetts Securities Division and other state securities regulators, Merrill Lynch agreed to purchase ARS at par from its retail clients, including individual, not-for-profit, and small business clients, beginning in 2008. The final date of the ARS purchase program was January 15, 2010. At December 31, 2009, a liability of $24 million was recorded related to these guarantees. No liability was recorded as of June 30, 2010.

Residual Value Guarantees

At June 30, 2010, residual value guarantees of $415 million consist of amounts associated with certain power plant facilities. Payments under these guarantees would only be required if the fair value of such assets declined below their guaranteed value. As of June 30, 2010, no payments have been made under this guarantee, as Merrill Lynch believes that the estimated fair value of such assets was in excess of their guaranteed value.

Standby Letters of Credit and Other Guarantees

Merrill Lynch provides guarantees to certain counterparties in the form of standby letters of credit in the amount of $0.8 billion. Payment risk is evaluated based upon historical payment activity.

In connection with residential mortgage loan and other securitization transactions, Merrill Lynch typically makes representations and warranties about the underlying assets. If there is a material breach of such representations and warranties, Merrill Lynch may have an obligation to repurchase the assets or indemnify the purchaser against any loss. For residential mortgage loan and other securitizations, the maximum potential amount that could be required to be repurchased is the current outstanding asset balance. Specifically related to First Franklin activities, there is currently approximately $23 billion (including loans serviced by others) of outstanding loans that First Franklin sold in various asset sales and securitization transactions where there may be an obligation to repurchase the asset or indemnify the purchaser against the loss if claims are made and it is ultimately determined that there has been a material breach related to such loans. The risk of repurchase under the First Franklin representations and warranties is evaluated by management based on an analysis of the unpaid principal balance on the loans sold along with historical payment experience and general market conditions. The repurchase reserve liability arising from these First Franklin residential mortgage sales and securitization transactions was $145 million at June 30, 2010.

In October 2009, BAI was acquired by Merrill Lynch. As a result, Merrill Lynch became the guarantor of a contract with a third party to provide clearing services that include underwriting margin loans to BAI's clients. This contract stipulates that Merrill Lynch will indemnify the third party for any losses that occur related to the margin loans made to BAI's clients. The maximum potential future payment under this indemnification was $804 million and $657 million at June 30, 2010 and December 31,

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2009, respectively. Historically, any payments made under this indemnification have not been material. As these margin loans are highly collateralized by the securities held by the brokerage clients, Merrill Lynch has assessed the probability of making such payments in the future as remote. This indemnification will end with the termination of the clearing contract, which is expected to occur in the third quarter of 2010.

See Note 14 to the Consolidated Financial Statements contained in the 2009 Annual Report for additional information on guarantees.

Note 15. Employee Benefit Plans

Merrill Lynch provides pension and other postretirement benefits to its employees worldwide through defined contribution pension, defined benefit pension and other postretirement plans. These plans vary based on the country and local practices. Effective January 1, 2009, the Bank of America Corporation Corporate Benefits Committee became the plan administrator for all of Merrill Lynch's employee benefit plans. Merrill Lynch continues as the plan sponsor and as such reserves the right to amend, modify or terminate any of its employee plans, programs, and practices for any reason at any time without prior notice to employees. Refer to Note 15 to the Consolidated Financial Statements contained in the 2009 Annual Report for a complete discussion of employee benefit plans.

Defined Benefit Pension Plans

In 1988, Merrill Lynch purchased a group annuity contract that guarantees the payment of benefits vested under the terminated U.S. pension plan. Merrill Lynch, under a supplemental agreement, may be responsible for, or benefit from actual experience and investment performance of the annuity assets. Under this agreement, Merrill Lynch made no contribution for the three months ended June 30, 2009 and contributed $120 million for the six months ended June 30, 2009. Merrill Lynch made no contribution for the three and six months ended June 30, 2010. Additional contributions may be required in the future under this agreement.

Pension cost for the three and six months ended June 30, 2010 and June 30, 2009 included the following components:

(dollars in millions)

	Three Months Ended June 30, 2010			Six Months Ended June 30, 2010		
	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total
Service cost	$ -	$ 7	$ 7	$ -	$ 14	$ 14
Interest cost	28	20	48	53	40	93
Expected return on plan assets	(34)	(22)	(56)	(69)	(44)	(113)
Amortization of net actuarial (gains)/losses	1	-	1	1	-	1
Total defined benefit pension cost	$ (5)	$ 5	$ -	$ (15)	$ 10	$ (5)

(dollars in millions)

	Three Months Ended June 30, 2009			Six Months Ended June 30, 2009		
	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total
Service cost	$ -	$ 7	$ 7	$ -	$ 13	$ 13
Interest cost	24	18	42	49	35	84
Expected return on plan assets	(37)	(18)	(55)	(74)	(35)	(109)
Total defined benefit pension cost	$ (13)	$ 7	$ (6)	$ (25)	$ 13	$ (12)

For 2010, Merrill Lynch expects to contribute approximately $1 million and $77 million to its U.S. non-qualified pension plan and non-U.S. defined benefit pension plans, respectively.

Postretirement Benefits Other Than Pensions

Other postretirement benefit expense for the three and six months ended June 30, 2010 were $8 million and $15 million, respectively, and were $5 million and $9 million, respectively, for the three and six months ended June 30, 2009. Approximately 96% of the postretirement benefit cost components for the period relate to the U.S. postretirement plan.

Note 16. Regulatory Requirements

As a wholly-owned subsidiary of Bank of America, a bank holding company that is also a financial holding company, Merrill Lynch is subject to the oversight of, and inspection by, the Board of Governors of the Federal Reserve System.

Certain U.S. and non-U.S. subsidiaries are subject to various securities and banking regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. These regulatory restrictions may impose regulatory capital requirements and limit the amounts that these subsidiaries can pay in dividends or advance to Merrill Lynch. Merrill Lynch's principal regulated subsidiaries are discussed below.

Securities Regulation

As a registered broker-dealer and futures commission merchant, MLPF&S is subject to the uniform net capital requirements of the Securities Exchange Commission ("SEC") Rule 15c3-1, and Commodity Futures Trading Commission ("CFTC") Regulation 1.17. MLPF&S has elected to compute the minimum capital requirement in accordance with the "Alternative Net Capital Requirement" as permitted by SEC Rule 15c3-1. At June 30, 2010, MLPF&S's regulatory net capital as defined by Rule 15c3-1 was $5.3 billion and exceeded the minimum requirement of $642 million by $4.7 billion.

In accordance with the Alternative Net Capital Requirement, MLPF&S is required to maintain tentative net capital in excess of $1 billion, net capital in excess of $500 million, and notify the SEC in the event its tentative net capital is less than $5 billion. As of June 30, 2010, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

Merrill Lynch International ("MLI"), a U.K. regulated investment firm, is subject to capital requirements of the Financial Services Authority ("FSA"). Financial resources, as defined, must exceed the total financial resources requirement set by the FSA. At June 30, 2010, MLI's financial resources were $18.0 billion, exceeding the minimum requirement by $3.0 billion.

Merrill Lynch Japan Securities Co., Ltd. (“MLJS”), a Japan-based regulated broker-dealer, is subject to capital requirements of the Japanese Financial Services Agency (“JFSA”). Net capital, as defined, must exceed 120% of the total risk equivalents requirement of the JFSA. At June 30, 2010, MLJS’s net capital was $1.6 billion, exceeding the minimum requirement by $1.0 billion.

Banking Regulation

Merrill Lynch International Bank Limited (“MLIB”), an Ireland-based regulated bank, is subject to the capital requirements of the Irish Financial Services Regulatory Authority (“IFSRA”). MLIB is required to meet minimum regulatory capital requirements under the European Union (“EU”) banking law as implemented in Ireland by the IFSRA. At June 30, 2010, MLIB’s financial resources were $14.9 billion, exceeding the minimum requirement by $3.6 billion.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements and Non-GAAP Financial Measures

We have included certain statements in this report that may be considered forward-looking, including those about management expectations and intentions regarding an income tax charge resulting from a reduction in the U.K. corporate income tax rate, the impact of off-balance sheet exposures, significant contractual obligations and anticipated results of litigation and regulatory investigations and proceedings. These forward-looking statements represent only Merrill Lynch & Co., Inc.'s ("ML & Co." and, together with its subsidiaries, "Merrill Lynch", the "Company", "we", "our" or "us") beliefs regarding future performance, which is inherently uncertain. There are a variety of factors, many of which are beyond our control, which affect our operations, performance, business strategy and results and could cause our actual results and experience to differ materially from the expectations and objectives expressed in any forward-looking statements. These factors include, but are not limited to, actions and initiatives taken by both current and potential competitors and counterparties, general economic conditions, market conditions, the effects of current, pending and future legislation, regulation and regulatory actions including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Financial Reform Act"), the actions of ratings agencies and the other risks and uncertainties detailed in this report, including in "Risk Factors" in Part II, Item 1A and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009 (the "2009 Annual Report"). Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. The reader should, however, consult further disclosures we may make in future filings of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

From time to time, we may also disclose financial information on a non-GAAP basis where management uses this information and believes this information will be valuable to investors in gauging the quality of our financial performance, identifying trends in our results and providing more meaningful period-to-period comparisons.

Introduction

Merrill Lynch was formed in 1914 and became a publicly traded company on June 23, 1971. In 1973, we created the holding company, ML & Co., a Delaware corporation that, through its subsidiaries, is one of the world's leading capital markets, advisory and wealth management companies. We are a leading global trader and underwriter of securities and derivatives across a broad range of asset classes, and we serve as a strategic advisor to corporations, governments, institutions and individuals worldwide. In addition, as of June 30, 2010, we owned approximately 34 percent of the economic interest of BlackRock, Inc. ("BlackRock"), one of the world's largest publicly traded investment management companies with approximately $3.2 trillion in assets under management at June 30, 2010.

Bank of America Acquisition and Basis of Presentation

On January 1, 2009, Merrill Lynch was acquired by Bank of America Corporation ("Bank of America") through the merger of a wholly owned subsidiary of Bank of America with and into ML & Co., with ML & Co. continuing as the surviving corporation and a wholly owned subsidiary of Bank of America. Upon completion of the acquisition, each outstanding share of ML & Co. common stock was converted into 0.8595 shares of Bank of America common stock. As of the completion of the acquisition, ML & Co. Series 1 through Series 8 preferred stock were converted into Bank of America preferred stock with substantially identical terms to the corresponding series of Merrill Lynch preferred stock (except for additional voting rights provided to the Bank of America securities). The Merrill Lynch 9.00% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 2, and 9.00% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 3, that was outstanding immediately prior to the completion of the acquisition remained issued and outstanding subsequent to the acquisition, but are now convertible into Bank of America common stock at the option of the holder and will automatically convert into Bank of America common stock on October 15, 2010.

Pursuant to Accounting Standards Codification ("ASC") 280, *Segment Reporting* ("Segment Reporting"), operating segments represent components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in determining how to allocate resources and in assessing performance. Based upon how the chief operating decision maker of Merrill Lynch reviews our results, Merrill Lynch does not contain any identifiable operating segments. As a result, the financial information of Merrill Lynch is presented as a single segment.

As disclosed in Note 22 to the Consolidated Financial Statements contained in the 2009 Annual Report, Merrill Lynch adjusted previously reported 2009 quarterly amounts related to the valuation of certain long-term borrowings, primarily structured notes. Merrill Lynch also recorded revisions to certain purchase accounting adjustments made in connection with the acquisition of Merrill Lynch by Bank of America. In addition, Merrill Lynch's previously reported quarterly results for 2009 were adjusted to include the results of Banc of America Investment Services, Inc. ("BAI"), which was contributed by Bank of America to Merrill Lynch in October 2009, as if the contribution had occurred on January 1, 2009 (see "Executive Overview — Transactions with Bank of America — Acquisition of BAI from Bank of America"). The aggregate impact of the above adjustments increased the net loss for the three months ended June 30, 2009 by $221 million and decreased net earnings for the six months ended June 30, 2009 by $131 million.

As a result of the acquisition of Merrill Lynch by Bank of America, certain information is not required in this Form 10-Q as permitted by General Instruction H of Form 10-Q. We have also abbreviated Management's Discussion and Analysis of Financial Condition and Results of Operations as permitted by General Instruction H.

Executive Overview

Company Results

We reported net earnings for the three and six months ended June 30, 2010 of $360 million and $1.6 billion compared with a net (loss) / earnings of $(2.0) billion and $1.7 billion for the three and six months ended June 30, 2009. Revenues, net of interest expense ("net revenues") for the three and six months ended June 30, 2010 were $5.7 billion and $13.2 billion compared with $2.0 billion and $12.3 billion for the three and six months ended June 30, 2009. Pre-tax earnings were $225 million and $2.2 billion for the three and six months ended June 30, 2010 compared with pre-tax (losses) / earnings of $(3.2) billion and $2.2 billion for the three and six months ended June 30, 2009.

The increase in net earnings and net revenues for the quarter ended June 30, 2010 primarily reflected higher revenues from the impact of changes in Merrill Lynch's credit spreads on the carrying value of certain of our long-term debt liabilities, primarily structured notes. During the quarter ended June 30, 2010, we recorded net gains of $1.2 billion associated with such long-term debt liabilities due to the widening of Merrill Lynch's credit spreads, while in the prior year period we recorded net losses of $3.6 billion due to the narrowing of Merrill Lynch credit spreads. This increase was partially offset by lower sales and trading and investment banking revenues as well as higher non-interest expenses. The results for the six months ended June 30, 2010 included net gains of $1.4 billion due to the impact of the widening of Merrill Lynch's credit spreads on the carrying value of long-term debt liabilities, while in the six months ended June 30, 2009 we recorded net losses of $1.4 billion due to the narrowing of our credit spreads. The results for both the three and six month periods in 2010 reflected the absence of revenues from Merrill Lynch Bank USA ("MLBUSA") and Merrill Lynch Bank & Trust Co., FSB ("MLBT-FSB"), which were sold to Bank of America in the third and fourth quarters of 2009, respectively (see "Transactions with Bank of America — Sale of U.S. Banks to Bank of America").

Our net earnings / (loss) applicable to our common shareholder were $322 million and $1.6 billion for the three and six months ended June 30, 2010 compared with $(2.1) billion and $1.7 billion for the three and six month periods of 2009.

Transactions with Bank of America

Asset and Liability Transfers

Subsequent to the Bank of America acquisition, certain assets and liabilities were transferred at fair value between Merrill Lynch and Bank of America. These transfers were made in connection with the integration of certain trading activities with Bank of America and efforts to manage risk in a more effective and efficient manner at the consolidated Bank of America level. During the six months ended June 30, 2010, such asset or liability transfers were not significant. During the six months ended June 30, 2009, Merrill Lynch transferred approximately $47 billion each of assets and liabilities to Bank of America, and Bank of America transferred approximately $40 billion of assets and $18 billion of liabilities to Merrill Lynch. In the future, Merrill Lynch and Bank of America may continue to transfer certain assets and liabilities to (and from) each other.

In addition to these transfers, during the six months ended June 30, 2010, Merrill Lynch sold approximately $11 billion of available-for-sale securities to Bank of America, which resulted in a realized gain of approximately $280 million.

During 2009, Merrill Lynch also sold two of its bank subsidiaries to Bank of America and acquired a broker-dealer subsidiary from Bank of America. These transactions are discussed below.

Sale of U.S. Banks to Bank of America

During 2009, Merrill Lynch sold MLBUSA and MLBT-FSB to a subsidiary of Bank of America. In both transactions, Merrill Lynch sold the shares of each respective entity to Bank of America. The sale price of each entity was equal to its net book value as of the date of transfer. Consideration for the sale of MLBUSA was in the form of an $8.9 billion floating rate demand note payable from Bank of America to Merrill Lynch, while MLBT-FSB was sold for cash of approximately $4.4 billion. The demand note received by Merrill Lynch in connection with the MLBUSA sale had a stated interest rate that was a market rate at the time of sale.

The MLBUSA sale was completed on July 1, 2009, and the sale of MLBT-FSB was completed on November 2, 2009. After each sale was completed, MLBUSA and MLBT-FSB were merged into Bank of America, N.A., a subsidiary of Bank of America.

Acquisition of BAI from Bank of America

In October 2009, Bank of America contributed the shares of BAI, one of Bank of America's wholly-owned broker-dealer subsidiaries, to ML & Co. Subsequent to the transfer, BAI was merged into Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), a wholly-owned broker-dealer subsidiary of ML & Co. The net amount contributed by Bank of America to ML & Co. was equal to BAI's net book value of approximately $263 million. In accordance with ASC 805-10, *Business Combinations*, Merrill Lynch's results of operations for the year ended December 31, 2009 include the results of BAI as if the contribution from Bank of America had occurred on January 1, 2009. BAI's impact on Merrill Lynch's 2009 pre-tax earnings and net earnings was not material.

Results Of Operations

(dollars in millions)

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009	% Change between the Three Months Ended June 30, 2010 and the Three Months Ended June 30, 2009	% Change between the Six Months Ended June 30, 2010 and the Six Months Ended June 30, 2009
Revenues						
Principal transactions	$ 2,100	$ 5,318	$ (1,828)	$ 4,086	N/M	30%
Commissions	1,460	2,927	1,626	3,006	(10)%	(3)
Managed account and other fee-based revenues	1,161	2,212	1,064	2,220	9	-
Investment banking	716	1,383	862	1,468	(17)	(6)
Earnings from equity method investments	96	377	54	94	78	301
Other(1)	1,235	2,303	797	1,068	55	116
Subtotal	6,768	14,520	2,575	11,942	163	22
Interest and dividend revenues	1,002	2,817	2,443	6,826	(59)	(59)
Less interest expense	2,053	4,093	2,969	6,424	(31)	(36)
Net interest (expense)/profit	(1,051)	(1,276)	(526)	402	100	N/M
Revenues, net of interest expense	5,717	13,244	2,049	12,344	179	7
Non-interest expenses:						
Compensation and benefits	3,476	7,320	3,411	6,689	2	9
Communications and technology	460	922	498	897	(8)	3
Occupancy and related depreciation	318	623	314	585	1	6
Brokerage, clearing, and exchange fees	262	542	260	532	1	2
Advertising and market development	94	179	55	161	71	11
Professional fees	177	321	153	255	16	26
Office supplies and postage	34	77	38	80	(11)	(4)
Other	671	1,102	506	957	33	15
Total non-interest expenses	5,492	11,086	5,235	10,156	5	9
Pre-tax earnings/(loss)	225	2,158	(3,186)	2,188	N/M	(1)
Income tax (benefit)/expense	(135)	529	(1,145)	479	(88)	10
Net earnings/(loss)	$ 360	$ 1,629	$ (2,041)	$ 1,709	N/M	(5)
Preferred stock dividends	38	76	38	53	-	43
Net earnings/(loss) applicable to common stockholder	$ 322	$ 1,553	$ (2,079)	$ 1,656	N/M	(6)

(1) Amounts include other income and other-than-temporary impairment losses on available-for-sale debt securities. The other-than-temporary impairment losses were $37 million and $123 million for the three and six months ended June 30, 2010, and were $294 million for the three and six months ended June 30, 2009.

N/M = Not meaningful.

Quarterly Consolidated Results of Operations

Our net earnings for the quarter ended June 30, 2010 were $360 million compared with a net loss of $2.0 billion for the quarter ended June 30, 2009. Net revenues for the second quarter of 2010 were $5.7 billion compared with $2.0 billion in the prior year period.

Principal transactions revenues include both realized and unrealized gains and losses on trading assets and trading liabilities and investment securities classified as trading. Principal transactions revenues were $2.1 billion for the quarter ended June 30, 2010 compared with negative $1.8 billion for the quarter ended June 30, 2009. The increase in principal transactions revenues primarily reflected the impact of changes in Merrill Lynch's credit spreads on the carrying value of certain of our long-term debt liabilities, primarily structured notes. During the quarter ended June 30, 2010, we recorded net gains of $1.2 billion associated with such long-term debt liabilities due to the widening of Merrill Lynch's credit spreads, while in the prior year period we recorded net losses of $3.6 billion due to the narrowing of Merrill Lynch credit spreads. This increase in principal transaction revenues was partially offset by lower sales and trading revenues, which reflected generally difficult market conditions in the quarter ended June 30, 2010, as concerns over European sovereign debt and pending regulatory reform proposals in the U.S. contributed to greater market uncertainty. Revenues from our credit products business declined due to less favorable market conditions during the quarter ended June 30, 2010, including widening credit spreads. Equity trading revenues declined and reflected lower revenues from cash and derivative equity products due to more challenging market conditions and lower transaction volumes as compared with the prior year. Revenues from commodity products also declined. These decreases in sales and trading revenues were partially offset by higher revenues generated from our mortgage product business, as the results from the prior year period reflected net write-downs on certain mortgage exposures, including credit valuation adjustments related to financial guarantors.

Net interest profit/(expense) is a function of (i) the level and mix of total assets and liabilities, including trading assets owned, deposits, financing and lending transactions, and trading strategies associated with our businesses, and (ii) the prevailing level, term structure and volatility of interest rates. Net interest profit/(expense) is an integral component of trading activity. In assessing the profitability of our client facilitation and trading activities, we view principal transactions and net interest profit/(expense) in the aggregate as net trading revenues. Changes in the composition of trading inventories and hedge positions can cause the mix of principal transactions and net interest profit/(expense) to fluctuate from period to period. Net interest expense was $1.1 billion for the quarter ended June 30, 2010 as compared with net interest expense of $526 million for the quarter ended June 30, 2009. The decline in net interest revenues in 2010 included the impact from the absence of net interest revenues from MLBUSA and MLBT-FSB, which were sold to Bank of America during the latter half of 2009. The results in both periods were also affected by interest expenses associated with certain structured equity financing activities within our global markets financing and services business. The effect of the higher net interest expense associated with the structured equity financing activities is offset in Principal transactions revenues.

Commissions revenues primarily arise from agency transactions in listed and OTC equity securities and commodities and options. Commissions revenues also include distribution fees for promoting and distributing mutual funds. Commissions revenues were $1.5 billion for the quarter ended June 30, 2010, a decrease of 10% from the prior year period. The decrease was due to lower revenues from our equity trading business, as the prior-year period included revenues associated with the issuance of equity securities by Bank of America. This decrease was partially offset by higher commissions from our global wealth management activities, primarily reflecting increased revenues from equity products and mutual funds.

Managed account and other fee-based revenues primarily consist of asset-priced portfolio service fees earned from the administration of separately managed and other investment accounts for retail investors, annual account fees, and certain other account-related fees. Managed account and other fee-based revenues were $1.2 billion for the quarter ended June 30, 2010, an increase of 9% from the prior year period. The increase was primarily driven by higher fee-based revenues from our global wealth management activities, reflecting higher levels of fee-based assets from which such revenues are generated as compared with the prior year. This increase was partially offset by the absence of servicing and other fees associated with MLBUSA and MLBT-FSB, which were sold to Bank of America during the latter half of 2009.

Investment banking revenues include (i) origination revenues representing fees earned from the underwriting of debt, equity and equity-linked securities, as well as loan syndication and commitment fees and (ii) advisory services revenues including merger and acquisition and other investment banking advisory fees. Investment banking revenues were $716 million for the quarter ended June 30, 2010, a decrease of 17% from the prior year period. Underwriting revenues decreased 25% to $516 million, primarily reflecting lower revenues from equity underwriting transactions. Revenues from advisory services increased 12% to $200 million, reflecting a higher level of merger and acquisition activity as compared with the prior year.

Earnings from equity method investments include our pro rata share of income and losses associated with investments accounted for under the equity method of accounting. Earnings from equity method investments were $96 million for the quarter ended June 30, 2010 compared with $54 million for the quarter ended June 30, 2009. The increase primarily reflected higher revenues from certain investments, including BlackRock. Refer to Note 8 to the Consolidated Financial Statements included in the 2009 Annual Report for further information on equity method investments.

Other revenues include gains and losses on investment securities, including certain available-for-sale securities, gains and losses on private equity investments, and gains and losses on loans and other miscellaneous items. Other revenues were $1.2 billion for the quarter ended June 30, 2010 compared with $797 million in the prior year period. The increase reflects net increases in the fair value of certain private equity investments.

Compensation and benefits expenses were $3.5 billion for the quarter ended June 30, 2010, an increase of 2% from the prior year period. The increase was primarily driven by higher compensation costs, including the impact of an incremental payroll tax in the U.K. On April 8, 2010, the U.K. enacted into law a one-time employer payroll tax of 50% on bonuses awarded to employees of applicable banking entities between December 9, 2009 and April 5, 2010. The impact of this tax was approximately $330 million and is included in our compensation and benefits expense for the quarter ended June 30, 2010. These increases were partially offset by lower incentive-based compensation accruals, lower severance costs, and the absence of compensation costs associated with MLBUSA and MLBT-FSB, which were sold to Bank of America during the latter half of 2009.

Non-compensation expenses were $2.0 billion for the quarter ended June 30, 2010 and $1.8 billion in the prior year period. Advertising and market development costs were $94 million as compared with $55 million in the prior period. The increase was primarily due to higher travel and entertainment and promotion and marketing expenses. Professional fees were $177 million, which increased 16% primarily due to higher employee recruitment and other professional fees. Other expenses were $671 million, an increase of 33%, which included higher legal costs and expenses associated with non-controlling interests of certain principal investments, as well as higher intercompany service fees from Bank of America.

The income tax benefit for the three months ended June 30, 2010 was $135 million compared with a benefit of $1.1 billion for the comparable period of 2009. The effective tax rate was (60.0)% for the second quarter of 2010 compared with 35.9% in the prior year. The effective tax rate for the second quarter of 2010 was driven by the release of $145 million of a valuation allowance provided for capital loss carryforward tax benefits and by the level and geographic mix of our pre-tax earnings.

On July 27, 2010, the U.K. enacted a change in law to reduce the corporate income tax rate by 1%, effective for the 2011 U.K. tax financial year beginning on April 1, 2011. Such reduction favorably affects income tax expense on future U.K. earnings, but also requires us to revalue our U.K. net deferred tax assets using the lower tax rate. During the third quarter of 2010, Merrill Lynch expects to record a charge to income tax expense of nearly $400 million for this revaluation. If future rate reductions were to be enacted as suggested in U.K. Treasury announcements, a similar charge to income tax expense for each 1% reduction in the rate would result in each period of enactment.

Year-to-Date Consolidated Results of Operations

For the first six months of 2010, our net earnings were $1.6 billion compared with $1.7 billion in the prior year period. Net revenues for the first half of 2010 were $13.2 billion compared with $12.3 billion in the prior year period. The increase in net revenues in 2010 included the impact from changes of Merrill Lynch's credit spreads on the carrying value of certain of our long-term debt liabilities, primarily structured notes. For the six months ended June 30, 2010, we recorded net gains of $1.4 billion due to the impact of the widening of Merrill Lynch's credit spreads on the carrying value of long-term debt liabilities, while in the six months ended June 30, 2009 we recorded net losses of $1.4 billion due to the narrowing of our credit spreads. This increase in net revenues was partially offset by lower sales and trading and investment banking revenues, as well as the absence of revenues from MLBUSA and MLBT-FSB, which were sold to Bank of America in the third and fourth quarters of 2009, respectively.

Compensation and benefits expenses were $7.3 billion for the first half of 2010, an increase of 9% from $6.7 billion in the first half of 2009. The increase was attributable to higher compensation costs, including the impact of higher expenses associated with stock-based compensation awards to retirement-eligible employees and the one-time employer payroll tax in the U.K., partially offset by lower incentive-based compensation accruals.

Non-compensation expenses were $3.8 billion for the first half of 2010, an increase of 9% from the first half of 2009. Professional fees were $321 million and increased 26% primarily due to higher employee recruitment, legal and other professional fees. Other expenses were $1.1 billion, an increase of 15%, which included higher legal costs and expenses associated with non-controlling interests of certain principal investments, as well as higher intercompany service fees from Bank of America.

Income tax expense was $529 million for the six months ended June 30, 2010 compared with $479 million for the prior year period. The effective tax rate for the first half of 2010 was 24.5% compared with 21.9% in the prior year period. The increase in the effective tax rate was primarily due to the release during the second quarter of 2010 of $145 million of a valuation allowance provided for capital loss carryforward tax benefits offsetting a lower percentage of pre-tax income than a similar item offset in the comparative 2009 period.

Long-standing deferral provisions applicable to active finance income earned by certain foreign subsidiaries expired for taxable years beginning on or after January 1, 2010. The impact of the expiration of these provisions, which is dependent upon the amount, composition and geographic mix of our 2010 earnings, was an income tax expense of $20 million during the first half of 2010. If these deferral provisions were to be extended retroactive to January 1, 2010, this tax and any additional amounts recorded to date would be reversed.

Off-Balance Sheet Exposures

As a part of our normal operations, we enter into various off-balance sheet arrangements that may require future payments. The table and discussion below outline our significant off-balance sheet arrangements, as well as their future expirations, as of June 30, 2010. Refer to Note 14 to the Condensed Consolidated Financial Statements for further information.

		Expiration			
(dollars in millions)	Total	Less than 1 Year	1-3 Years	3-5 Years	Over 5 Years
Standby liquidity facilities	$ 1,253	$ 595	$ 3	$630	$ 25
Residual value guarantees	415	-	95	320	-
Standby letters of credit and other guarantees	24,627	787	182	55	23,603

Standby Liquidity Facilities

We provide standby liquidity facilities primarily to certain unconsolidated municipal bond securitization VIEs. In these arrangements, we are required to fund these standby liquidity facilities if the fair value of the assets held by the VIE declines below par value and certain other contingent events take place. Any payments under the facilities are offset by economic hedges entered into by Merrill Lynch. Refer to Note 9 to the Condensed Consolidated Financial Statements for further information.

Auction Rate Security ("ARS") Guarantees

Under the terms of its announced purchase program as augmented by the global agreement reached with the New York Attorney General, the Securities and Exchange Commission, the Massachusetts Securities Division and other state securities regulators, we agreed to purchase ARS at par from our retail clients, including individual, not-for-profit, and small business clients, beginning in 2008. The final date of the ARS purchase program was January 15, 2010. At December 31, 2009, a liability of $24 million was recorded related to this guarantee. No liability was recorded as of June 30, 2010.

Residual Value Guarantees

At June 30, 2010, residual value guarantees of $415 million consisted of amounts associated with certain power plant facilities.

Standby Letters of Credit and Other Guarantees

At June 30, 2010, we provided guarantees to certain counterparties in the form of standby letters of credit in the amount of $0.8 billion.

In connection with residential mortgage loan and other securitization transactions, we typically make representations and warranties about the underlying assets. If there is a material breach of such representations and warranties, we may have an obligation to repurchase the assets or indemnify the purchaser against any loss. For residential mortgage loan and other securitizations, the maximum potential amount that could be required to be repurchased is the current outstanding asset balance. Specifically related to First Franklin activities, there is currently approximately $23 billion (including loans serviced by others) of outstanding loans that First Franklin sold in various asset sales and securitization transactions where there may be an obligation to repurchase the asset or indemnify the purchaser against the loss if claims are made and it is ultimately determined that there has been a material breach related to such loans. The repurchase reserve liability arising from these First Franklin residential mortgage sales and securitization transactions was $145 million at June 30, 2010.

In October 2009, BAI was acquired by Merrill Lynch. As a result, Merrill Lynch became the guarantor of a contract with a third party to provide clearing services that include underwriting margin loans to BAI's clients. This contract stipulates that Merrill Lynch will indemnify the third party for any losses that occur related to the margin loans made to BAI's clients. The maximum potential future payment under this indemnification was $804 million and $657 million at June 30, 2010 and December 31, 2009, respectively. Historically, any payments made under this indemnification have not been material. As these margin loans are highly collateralized by the securities held by the brokerage clients, Merrill Lynch has assessed the probability of making such payments in the future as remote. This indemnification will end with the termination of the clearing contract, which is expected to occur in the third quarter of 2010.

Derivatives

We record all derivative transactions at fair value on our Condensed Consolidated Balance Sheets. We do not monitor our exposure to derivatives based on the notional amount because that amount is not a relevant indicator of our exposure to these contracts, as it is generally not indicative of the amount that we would owe on the contract. Instead, a risk framework is used to define risk tolerances and establish limits to help to ensure that certain risk-related losses occur within acceptable, predefined limits. Since derivatives are recorded on the Condensed Consolidated Balance Sheets at fair value and the disclosure of the notional amounts is not a relevant indicator of risk, notional amounts are not provided for the off-balance sheet exposure on derivatives. Derivatives that meet the accounting definition of a guarantee and credit derivatives are included in Note 6 to the Condensed Consolidated Financial Statements.

Involvement with VIEs

We transact with VIEs in a variety of capacities, including those that we help establish as well as those initially established by third parties. We utilize VIEs in the ordinary course of business to support our own and our customers' financing and investing needs. Merrill Lynch securitizes loans and debt securities using VIEs as a source of funding and a means of transferring the economic risk of the loans or debt securities to third parties. We also administer, structure or invest in or enter into derivatives with other VIEs, including multi-seller conduits, municipal bond trusts, CDOs and other entities, as described in more detail below. Our involvement with VIEs can vary and we are required to continuously reassess prior consolidation and disclosure conclusions. Refer to Note 1 to the Condensed Consolidated Financial Statements for a discussion of our consolidation accounting policy and for information regarding new VIE accounting rules that became effective on January 1, 2010. Types of VIEs with which we have historically transacted include:

- **Municipal bond securitization VIEs:** VIEs that issue medium-term paper, purchase municipal bonds as collateral and purchase a guarantee to enhance the creditworthiness of the collateral.
- **Asset-backed securities VIEs:** VIEs that issue different classes of debt, from super senior to subordinated, and equity and purchase assets as collateral, including residential mortgages, commercial mortgages, auto leases and credit card receivables.
- **CDOs:** VIEs that issue different classes of debt, from super senior to subordinated, and equity and purchase securities, including asset-backed securities collateralized by residential mortgages, commercial mortgages, auto leases and credit card receivables as well as corporate bonds.
- **Synthetic CDOs:** VIEs that issue different classes of debt, from super senior to subordinated, and equity, purchase high-grade assets as collateral and enter into a portfolio of credit default swaps to synthetically create the credit risk of the issued debt.
- **Credit-linked note VIEs:** VIEs that issue notes linked to the credit risk of a company, purchase high-grade assets as collateral and enter into credit default swaps to synthetically create the credit risk to pay the return on the notes.
- **Trust preferred security VIEs:** These VIEs hold junior subordinated debt issued by ML & Co. or our subsidiaries, and issue preferred stock on substantially the same terms as the junior subordinated debt to third party investors. We also provide a parent guarantee, on a junior subordinated basis, of the distributions and other payments on the preferred stock to the extent that the VIEs have funds legally available. The debt we issue into the VIE is classified as long-term borrowings on our Condensed Consolidated Balance Sheets. The ML & Co. parent guarantees of its own subsidiaries are not required to be recorded in the Condensed Consolidated Financial Statements.

- **Conduits:** Generally, entities that issue commercial paper and subordinated capital, purchase assets, and enter into total return swaps or repurchase agreements with higher-rated counterparties, particularly banks. Conduits generally have a liquidity and/or credit facility to further enhance the credit quality of the commercial paper issuance. A single seller conduit will execute total return swaps, repurchase agreements, and liquidity and credit facilities with one financial institution. A multi-seller conduit will execute total return swaps, repurchase agreements, and liquidity and credit facilities with numerous financial institutions.

Funding and Liquidity

Funding

We fund our assets primarily with a mix of secured and unsecured liabilities through a globally coordinated funding strategy with Bank of America. We fund a portion of our trading assets with secured liabilities, including repurchase agreements, securities loaned and other short-term secured borrowings, which are less sensitive to our credit ratings due to the underlying collateral. Refer to Note 12 to the Condensed Consolidated Financial Statements for additional information regarding our borrowings.

Credit Ratings

Our credit ratings affect the cost and availability of our unsecured funding, and it is our objective to maintain high quality credit ratings. In addition, credit ratings are important when we compete in certain markets and when we seek to engage in certain transactions, including OTC derivatives. Following the acquisition of Merrill Lynch by Bank of America, the major credit rating agencies have indicated that the primary drivers of Merrill Lynch's credit ratings are Bank of America's credit ratings. Bank of America's credit ratings and outlooks are opinions subject to ongoing review by the rating agencies and may change from time to time. The rating agencies regularly evaluate Bank of America and its securities, and their ratings of its long-term and short-term debt and other securities, including asset securitizations. These evaluations are based on a number of factors, including its financial strength as well as factors not entirely within its control, including conditions affecting the financial services industry generally. In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that Bank of America will maintain its current ratings. During 2009, the rating agencies took numerous actions to adjust our credit ratings and outlooks, many of which were negative. The rating agencies have indicated that our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government. In February 2010, one rating agency affirmed our current credit ratings but revised the outlook to negative from stable, based on their belief that it is less certain whether the U.S. Government would be willing to provide extraordinary support. Also in July 2010, another ratings agency affirmed our current ratings but revised the outlook to negative from stable due to their expectation for lower levels of government support over time as a result of the passage of the Financial Reform Act. In addition to Bank of America's credit ratings, other factors that influence our credit ratings include rating agencies' assessment of the general operating environment, our relative positions in the markets in which we compete, our reputation, our liquidity position, the level and volatility of our earnings, our corporate governance and risk management policies, our capital position, and future regulatory and legislative initiatives.

On July 21, 2010, the Financial Reform Act was signed into law. This legislation, which provides for sweeping financial regulatory reform, may have a significant and negative impact on certain of Merrill Lynch's businesses through reduced revenues, higher costs (both regulatory and implementation) and new restrictions, as well as reduced available capital. A reduction in certain of our credit ratings would likely have a material adverse effect on our liquidity, access to credit markets, the related cost of funds, our businesses and on certain trading revenues, particularly in those businesses where counterparty creditworthiness is critical.

Bank of America has not assumed or guaranteed the long-term debt that was issued or guaranteed by ML & Co. or its subsidiaries prior to the acquisition of Merrill Lynch by Bank of America. Beginning late in the third quarter of 2009, in connection with the update or renewal of certain Merrill Lynch international securities offering programs, Bank of America agreed to guarantee debt securities, warrants and/or certificates issued by certain subsidiaries of ML & Co. on a going forward basis. All existing ML & Co. guarantees of securities issued by those same Merrill Lynch subsidiaries under various international securities offering programs will remain in full force and effect as long as those securities are outstanding, and Bank of America has not assumed any of those prior ML & Co. guarantees or otherwise guaranteed such securities. There were approximately $2.6 billion of securities guaranteed by Bank of America at June 30, 2010. In addition, Bank of America has guaranteed the performance of Merrill Lynch on certain derivative transactions. The aggregate amount of such derivative liabilities was approximately $2.2 billion at June 30, 2010.

In connection with certain OTC derivatives transactions and other trading agreements, we could be required to provide additional collateral to or terminate transactions with certain counterparties in the event of a downgrade of the senior debt ratings of ML & Co. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount and/or an amount related to the market value of the exposure. At June 30, 2010, the amount of additional collateral and termination payments that would be required for such derivatives transactions and trading agreements was approximately $0.7 billion in the event of a downgrade to low single-A by all credit agencies. A further downgrade of ML & Co.'s long-term senior debt credit rating to the BBB+ or equivalent level would require approximately $0.6 billion of additional collateral. Our liquidity risk analysis considers the impact of additional collateral outflows due to changes in ML & Co. credit ratings, as well as for collateral that is owed by us and is available for payment, but has not been called for by our counterparties.

Liquidity Risk

Following the completion of Bank of America's acquisition of Merrill Lynch, ML & Co. became a subsidiary of Bank of America and established intercompany lending and borrowing arrangements to facilitate centralized liquidity management. Included in these intercompany agreements is a $75 billion one year, revolving unsecured line of credit that allows ML & Co. to borrow funds from Bank of America for operating requirements at a spread to LIBOR that is reset periodically and is consistent with other intercompany agreements. This credit line was renewed effective January 1, 2010 with a maturity date of January 1, 2011. The credit line will automatically be extended by one year to the succeeding January 1st unless Bank of America provides written notice not to extend at least 45 days prior to the maturity date. The agreement does not contain any financial or other covenants. There were no outstanding borrowings against the line of credit at June 30, 2010.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Not required pursuant to Instruction H(2).

Item 4. ***Controls and Procedures***

Merrill Lynch's management, with the participation of Merrill Lynch's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Merrill Lynch's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on this evaluation, Merrill Lynch's Chief Executive Officer and Chief Financial Officer concluded that Merrill Lynch's disclosure controls and procedures were effective as of the end of the period covered by this report.

In addition, no change in Merrill Lynch's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) occurred during the quarter ended June 30, 2010 that has materially affected, or is reasonably likely to materially affect, Merrill Lynch's internal control over financial reporting.

PART II — Other Information

Item 1. *Legal Proceedings*

Legal and Regulatory Matters

The following information supplements the disclosure in Note 14 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2009 and in Part II, Item 1. "Legal Proceedings" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

Adelphia Litigation

On May 26, 2010, the decision of the court dismissing approximately 650 defendants was affirmed by the United States Court of Appeals for the Second Circuit. Trial is now scheduled for October 25, 2010.

Benistar

The sanctions hearing and the damages phases of the trial concluded on July 9, 2010.

Illinois Funeral Directors Association Matters

On June 8, 2010, plaintiffs voluntarily dismissed without prejudice a purported derivative action, entitled *Calvert Funeral Homes Ltd., et al. v. Robert W. Ninker, et al.*, pending in the Circuit Court of Cook County, Illinois, against Merrill Lynch Life Agency, Inc. ("MLLA"), MLPF&S and other defendants brought on behalf of six funeral homes.

On July 1, 2010, plaintiffs voluntarily dismissed the additional amended counts that had been filed on April 7, 2010 in *Fred C. Dames Funeral Homes, Inc., et al., v. Daniel W. Hynes, the Illinois Office of the Comptroller, et al.*

On July 30, 2010, in light of the existing stay, the court denied the motion to dismiss without prejudice in the *David Tipsword as Trustee of Mildred E. Tipsword Trust, individually and on behalf of all others similarly situated v. I.F.D.A. Services Inc., et al.* matter.

On July 28, 2010, Charles G. Kurrus, III, P.C., filed an action in the Circuit Court for the Twentieth Judicial Circuit, St. Clair County, Illinois against Merrill Lynch, MLLA and MLBT-FSB, among others, including present and former Merrill Lynch employees. The complaint, entitled *Charles F. Kurrus, III, P.C. v. Merrill Lynch, Pierce, Fenner & Smith, Inc., et al.*, asserts causes of action for breach of the Illinois Consumer Fraud and Deceptive Business Practices Act and civil conspiracy against all defendants; breach of fiduciary duty against Merrill Lynch and MLBT-FSB; and negligence and aiding and abetting breach of fiduciary duty against Merrill Lynch. The complaint seeks declaratory relief; disgorgement of all commissions, fees and revenues received by Merrill Lynch, MLLA and MLBT-FSB; pre-judgment and post-judgment interest; an accounting; and attorneys' fees.

IndyMac

On June 21, 2010, the court dismissed all claims brought against Bank of America Corporation because plaintiffs failed to plead facts to support their allegation that Bank of America Corporation is the "successor-in-interest" to Merrill Lynch and Countrywide. A motion to intervene and a motion to amend have been filed. If granted, they would add new plaintiffs and new claims against MLPF&S and Countrywide Securities Corporation.

Lehman Brothers Litigation

On June 4, 2010, defendants filed a motion to dismiss the third amended complaint.

Municipal Derivatives Litigation

All six previously disclosed civil cases recently filed in California state court have been transferred and consolidated in the *In re Municipal Derivatives Antitrust Litigation*. In May 2010, five additional cases were filed in the U.S. District Court for the Northern District of California on behalf of additional California cities and counties alleging anticompetitive conduct in violation of the Sherman Act and California's Cartwright Act. Those five cases, which seek unspecified damages, including treble damages, have been transferred and consolidated in *In re Municipal Derivatives Antitrust Litigation*.

On June 21, 2010, Merrill Lynch was named as a defendant in an amended complaint filed by the State of West Virginia. The original complaint was previously consolidated in the *In re Municipal Derivatives Litigation.* The amended complaint asserts violations of the Sherman Act as well as the West Virginia Antitrust Act, and seeks treble damages on both counts.

Region of Puglia, Italy Criminal Investigation

In lieu of the seizure order seeking 73 million Euro, MLI has paid 63 million Euro into a deposit account under the control of the Public Prosecutor. At a hearing on July 14, 2010, the Public Prosecutor withdrew his application for a ban on Merrill Lynch International doing business with Italian public sector entities.

Subprime Mortgage-Related Litigation

In re Merrill Lynch & Co., Inc. Securities, Derivative, and ERISA Litigation

The court certified a question of law regarding standing to maintain a double-derivative action to the Delaware Supreme Court and stayed the derivative actions until the Delaware Supreme Court rules on the certified question.

Connecticut Carpenters Pension Fund, et al. v. Merrill Lynch & Co., Inc., et al.; Iron Workers Local No. 25 Pension Fund v. Credit-Based Asset Servicing and Securitization LLC, et al.; Public Employees' Ret. System of Mississippi v. Merrill Lynch & Co. Inc.; Wyoming State Treasurer v. Merrill Lynch & Co. Inc.

On June 1, 2010, the court issued an opinion explaining its March 31, 2010 order in which the court dismissed claims related to 65 of 84 offerings with prejudice on the grounds that plaintiffs lacked standing as no named plaintiff purchased securities in those offerings. The opinion also allows lead plaintiffs to file an amended complaint as to certain parties. As a result, on July 6, 2010, lead plaintiffs filed a consolidated amended complaint relating to the offerings remaining in the case.

Federal Home Loan Bank of San Francisco Litigation

On June 9, 2010, plaintiffs filed amended complaints in the *Federal Home Loan Bank of San Francisco* matter.

Federal Home Loan Bank of Seattle Litigation

On June 10, 2010, plaintiffs filed amended complaints in the *Federal Home Loan Bank of Seattle* matter.

Tribune PHONES Litigation

On April 19, 2010, the bankruptcy court ruled that the defendants are not required to answer the complaint pending further order of the court. The court also ruled that the examiner appointed in the pending Tribune chapter 11 cases should investigate and report on whether the plaintiff, Wilmington Trust Company, violated the automatic stay in filing the complaint, among other things.

Item 1A. Risk Factors

There are no material changes from the risk factors set forth under Part 1, Item 1A. Risk Factors in the 2009 Annual Report, other than the addition of the following risk factor.

The Financial Reform Act may significantly and negatively impact our revenues and earnings.

As a result of the financial crisis, Merrill Lynch, along with the rest of the financial services industry, continues to experience heightened legislative and regulatory scrutiny, including the enactment of additional legislative and regulatory initiatives such as the Financial Reform Act. This legislation, which provides for sweeping financial regulatory reform, may have a significant and negative impact on certain of Merrill Lynch’s businesses through reduced revenues, higher costs (both regulatory and implementation) and new restrictions, as well as reduce available capital. The Financial Reform Act may also impact the competitive dynamics of the financial services industry in the United States by more adversely impacting large financial institutions, and by adversely impacting the competitive position of U.S. financial institutions in comparison with foreign competitors in certain businesses.

Provisions of the Financial Reform Act ban banking organizations from engaging in proprietary trading and restrict their sponsorship of or investing in hedge funds and private equity funds, subject to limited exceptions. The Financial Reform Act enhances regulation of the derivative markets through measures that broaden the derivative instruments subject to regulation and will require central clearing and exchange trading as well as additional capital and margin requirements for derivative market participants. The Financial Reform Act also provides for resolution authority to establish a process to unwind large systemically important financial companies; establishes a consumer financial protection bureau; and includes new minimum leverage and risk-based capital requirements for large financial institutions and limits inclusion of hybrid capital securities (trust preferred securities) and cumulative preferred securities in Tier 1 capital. Many of these provisions will be phased-in over the next several months or years and subject to further rulemaking and to the discretion of regulatory bodies. The ultimate future impact to Merrill Lynch will depend upon regulatory interpretation and rulemaking, as well as the success of any actions by Merrill Lynch to mitigate the negative impact of the provisions.

Merrill Lynch funds its assets with a mix of secured and unsecured liabilities through a globally coordinated funding strategy with Bank of America, and the primary drivers of Merrill Lynch’s credit ratings are Bank of America's credit ratings. Two of the major credit ratings agencies have indicated that enactment of the Financial Reform Act, including regulators' interpretation or rulemaking thereunder, may at some point result in a downgrade to Bank of America's credit ratings. One of these ratings agencies placed Bank of America's and certain other banks' credit ratings on negative outlook based on an earlier version of financial reform legislation, and the other ratings agency placed Bank of America's and other banks' credit ratings on negative outlook shortly after the Financial Reform Act was signed into law. It remains unclear what other actions the ratings agencies may take as a result of enactment of the Financial Reform Act. However, in the event of certain credit ratings downgrades, Bank of America's, and Merrill Lynch's, access to credit markets, liquidity and related funding costs would be materially adversely affected. For additional information about Merrill Lynch's credit ratings, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Funding and Liquidity" in Part I, Item 2 of this Form 10-Q.

Item 6. Exhibits

An exhibit index has been filed as part of this report and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Merrill Lynch & Co., Inc.
(Registrant)

By: /s/ ROBERT QUTUB
Robert Qutub
Chief Financial Officer

By: /s/ THOMAS W. PERRY
Thomas W. Perry
Chief Accounting Officer and Controller

Date: August 6, 2010

EXHIBIT INDEX

Exhibit	Description
12 *	Statement re: computation of ratios.
31.1 *	Rule 13a-14(a) Certification of the Chief Executive Officer.
31.2 *	Rule 13a-14(a) Certification of the Chief Financial Officer.
32.1 **	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 **	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* *Filed herewith*

** *Furnished herewith*

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(dollars in millions)

	Successor Company			Predecessor Company			
	Three Months Ended June 30, 2010 (Unaudited)	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009	Years Ended December 26, 2008	December 28, 2007	December 29, 2006	December 30, 2005
Pre-tax earnings/(loss)(a)	$ 85	$ 1,763	$ 2,218	$ (45,438)	$ (13,723)	$ 9,313	$ 6,335
Add: Fixed charges (excluding capitalized interest and preferred security dividend requirements of subsidiaries)	2,136	4,243	11,063	29,641	51,683	35,719	21,764
Pre-tax earnings/(loss) before fixed charges	2,221	6,006	13,281	(15,797)	37,960	45,032	28,099
Fixed charges:							
Interest	2,053	4,093	10,773	29,349	51,425	35,499	21,549
Other(b)	83	150	290	292	258	220	215
Total fixed charges	2,136	4,243	11,063	29,641	51,683	35,719	21,764
Preferred stock dividend requirements	43	101	126	4,356	401	259	99
Total combined fixed charges and preferred stock dividends	$ 2,179	$ 4,344	$ 11,189	$ 33,997	$ 52,084	$ 35,978	$ 21,863
Ratio of earnings to fixed charges	1.04	1.42	1.20	*	*	1.26	1.29
Ratio of earnings to combined fixed charges and preferred stock dividends	1.02	1.38	1.19	*	*	1.25	1.29

On January 1, 2009, Merrill Lynch (the "Predecessor Company") was acquired by Bank of America through the merger of a wholly-owned subsidiary of Bank of America with and into ML & Co. with ML & Co. (the "Successor Company") continuing as the surviving corporation and a wholly-owned subsidiary of Bank of America. The Predecessor Company and Successor Company periods have been separated by a vertical line above to highlight the fact that the financial information for such periods has been prepared under two different cost bases of accounting.

(a) *Excludes undistributed earnings/(loss) from equity investments and earnings from discontinued operations.*

(b) *Other fixed charges consist of the interest factor in rentals, amortization of debt issuance costs and preferred security dividend requirements of subsidiaries.*

* *The earnings for year-end 2008 and 2007 were inadequate to cover total fixed charges and total fixed charges and preferred stock dividends. The coverage deficiencies for total fixed charges were $45,438 million and $13,723 million, respectively. The coverage deficiencies for total fixed charges and preferred stock dividends were $49,794 million and $14,124 million, respectively.*

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) or 15d-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Thomas K. Montag, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Merrill Lynch & Co., Inc. for the quarterly period ended June 30, 2010;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2010

/s/ THOMAS K. MONTAG
Thomas K. Montag
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) or 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Robert Qutub, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Merrill Lynch & Co., Inc. for the quarterly period ended June 30, 2010;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 6, 2010

/s/ ROBERT QUTUB

Robert Qutub
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Merrill Lynch & Co., Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas K. Montag, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2010

/s/ THOMAS K. MONTAG
Thomas K. Montag
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Merrill Lynch & Co., Inc. (the "Company") on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Qutub, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2010

/s/ ROBERT QUTUB
Robert Qutub
Chief Financial Officer