


REGULATORY CIRCULAR NO. 96-71

July 18, 1996

TO: Members and Member Organizations

ATTENTION: Chief Executive Officers/Managing Partners/
Compliance Officers/Senior Registered Options Principals

FROM: Capital Markets Division

SUBJECT: Merrill Lynch & Co., Inc. - (R)
Technology Market Index Target-Term Securities  , due July __, 2001 "MITTS"

The aforementioned Securities are the subject of a Preliminary Prospectus Supplement and will commence trading at a date to be announced (Ticker Symbol: TKM).

TKM are debt securities of Merrill Lynch & Co., Inc. and will be issued in denominations of \$10 and integral multiples thereof. Each \$10 principal amount will be deemed a "Unit" for purposes of trading and settlement. At maturity, a beneficial owner will be entitled to receive, with respect to each Unit, the principal amount (\$10) **plus** an amount (the "Supplemental Redemption Amount"), based on the percentage increase, if any, in the CBOE Technology Index (the "Index") over the Benchmark Index Value*. In no event will the Supplemental Redemption Amount be less than zero or more than \$10. The Units do not provide for any other payment, nor will they be redeemable or callable prior to maturity.

The Preliminary Prospectus Supplement sets forth the following formula for calculating the Supplemental Redemption Amount:

$$\text{Principal Amount times } \left[\frac{\text{Ending Index Value}^{**} \text{ minus Benchmark Index Value}^{*}}{\text{Benchmark Index Value}^{*}} \right]$$

The purpose of this circular is to provide basic information to Members and Member Organizations regarding a proposed new issue of Technology Market Index Target-Term Securities "MITTS" and to advise of certain compliance responsibilities when handling transactions in these securities. This is not a sales document and is not intended to be distributed to customers.

* To be announced at the time of the initial public offering.

** The Ending Index Value, as more fully described in the Prospectus Supplement, will be the average (arithmetic mean) of the closing values of the Index on certain Calculation Days prior to maturity, or, if certain events occur, the closing value of the Index on a single Calculation Day prior to maturity.

TECHNOLOGY INDEX:

The Index is a price-weighted stock index designed, developed, maintained and operated by, and is a service mark of, the CBOE. The Index is designed to provide an indication of the composite price performance of the common stocks of companies involved in the U.S. high technology industry segment (i.e., companies involved in the design and manufacture of high technology components and systems). The Index consists of the stocks of 30 issuers involved in various aspects of the high technology industry segment, including: computer services, telecommunications equipment, server software and hardware, design software, PC software and hardware, networking, peripherals, and semiconductors. As of June 11, 1996, the 30 companies included in the Index were divided into five main individual groups. These individual groups comprised the following (with the number of companies currently included in each group indicated in parentheses): Computer Hardware (8), Computer Software (6), Computer Systems & Services (6), Telecommunications (5) and Semiconductors (5). The CBOE, may from time to time, in its sole discretion, add companies to, or delete companies from, the Index. The Index has a base date of January 3, 1995 on which the Index equaled 100.

The common stocks comprising the Index are currently listed either on the New York Stock Exchange or the Nasdaq National Market System. As of June 11, 1996, the 30 companies included in the Index had an aggregate market value \$454.4 billion, with an average capitalization of \$15.1 billion. The Index components ranged in size from \$72.5 billion to \$1.2 billion, with a median capitalization of \$5.2 billion. All of the stocks are currently the subject of listed options trading in the U.S.

CERTAIN RISK FACTORS:



On the Pricing Date, the Benchmark Index Value will exceed the Starting Index Value by 10% to 20% (the actual percentage will be determined on the Pricing Date). If the Ending Index Value does not exceed the Starting Index Value by more than 10% to 20% at maturity, beneficial owners of TKM will receive only the principal amount (i.e. \$10 per Unit) and no Supplemental Redemption Amount at maturity.



The return of principal to holders of TKM at maturity and the payment, if any, of a Supplemental Redemption Amount, may not reflect the full opportunity cost implied by inflation or other factors relating to the time value of money.



In no event will the Supplemental Redemption Amount exceed \$10 per each TKM Unit.







The Index does not reflect the payment of dividends on the underlying stocks and, therefore, the yield based on the Index to the maturity of TKM will not produce the same yield as if such underlying stocks were purchased and held for a similar period.



The trading value of TKM may be affected by a number of interrelated factors including, among other things, the creditworthiness of the Issuer, changes in the level of interest rates, the volatility of the Index, the time remaining to maturity, dividend rates on the stocks comprising the Index, as well as political, economic and other developments affecting the stocks included in the Index.

THE IMPORTANT INFORMATION:

-  The CBOE Technology Index is available each trading date under the symbol “TXX”.
-  Investors should consider the tax consequences of investing in TKM. See “Certain United States Federal Income Tax Considerations” in the Prospectus Supplement.
-  The securities are backed only by Merrill Lynch & Co., Inc. and do not give TKM holders the right to receive any of the stocks comprising the Index.
-  Ownership of TKM will be maintained in book-entry form by or through The Depository Trust Company (“DTC”). Beneficial owners will not have the right to receive physical certificates evidencing their ownership except under certain limited circumstances described in the Prospectus Supplement.

The foregoing information has been excerpted from the Preliminary Prospectus Supplement, and the Exchange assumes no responsibility for the accuracy or completeness of such information. Members and associated persons of member organizations are advised to read the Prospectus and Prospectus Supplement.

REGULATORY CONSIDERATIONS:

MARGIN AND CAPITAL REQUIREMENTS

For margin and capital purposes TKM will be considered an equity security. A long TKM position will have an initial\maintenance margin requirement equal to 50%\25% of market value, respectively. For capital purposes TKM positions will be subject to a haircut equal to 15% of market value. There are no haircut offsets for related derivative securities.

SALES PRACTICES

TKM is considered an equity security and is subject to the provisions of Rule 30.50. A customer's account is not required to be options approved. Members and associated persons of member organizations should take such steps as may be reasonably necessary to assure that prospective purchasers of TKM reach an investment decision only after carefully considering the suitability of TKM in light of their particular financial circumstances and objectives.

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Questions regarding suitability of customers transactions in these securities should be directed to Larry Bresnahan (312) 786-7713 and questions regarding marginability should be directed to Diane Malley (312) 786-7924. General product questions should be directed to Nick Parcharidis of the Capital Markets Division (212) 803-1411.