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Consortium Provides Update on Master Liquidity Enhancement Conduit

NEW YORK, Dec. 21 /PRNewswire/ -- Since forging a collaborative effort in the fall, Bank of America Corp., Citigroup Inc. and JPMorgan Chase & Co. have sought to provide a market-based solution to continued illiquidity in the short-term credit markets. Such a solution was intended to support the return of stable market conditions, an orderly unwinding of structured investment vehicles (SIVs) and the avoidance of a "firesale" of SIV assets.

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During the last three months, the bank consortium has gathered broad market participation to discuss and address this shared goal. More than 20 banks, SIVs and investment managers participated in this dialogue. The Master Liquidity Enhancement Conduit (MLEC) was conceived as a "buyer of last resort" for SIV assets, if and when other traditional and nontraditional sources of liquidity did not emerge. The design phase for MLEC was completed, producing a turn-key structure. BlackRock, a recognized leader in global investment management services, was retained as advisor. Bank of America, Citigroup, JPMorgan Chase and BlackRock also thank the US Treasury and other global regulators for their support through this process.

Over this same time period, conditions in the short-term credit markets steadily evolved, as awareness of market pressures and potential impacts dramatically increased and multiple, diverse market-based solutions emerged. In addition to MLEC, these included moves by several bank-owned SIVs to significantly reduce SIV exposure and to develop their own liquidity support, as well as moves by non-bank owned SIVs to sell assets, allow assets to mature without reinvesting, secure other sources of liquidity and/or undertake restructurings. Recent reports show SIV assets have been steadily reduced to less than \$265 billion in senior debt outstanding in early December from \$340 billion at a summer peak. A continued decline is expected.

This orderly unwinding of SIVs is contributing to improved market stability. Based upon the feedback that the bank consortium and the advisor have received from domestic and global liquidity sources and from prospective SIV participants, they have determined the vehicle is not needed at this time. The consortium will continue to monitor market conditions and remain committed to work collaboratively on any appropriate solutions, including an activation of MLEC, if needed.

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