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## Global Banks Announce Plans for Major Liquidity Facility to Bolster Asset-Backed Commercial Paper Markets

NEW YORK, Oct. 15 /PRNewswire/ -- A consortium of leading global banks today announced an agreement in principle to create and provide liquidity support to a master conduit to enhance liquidity in the market for asset-backed commercial paper and medium-term notes issued by structured investment vehicles ("SIVs").

Bank of America Corp. (NYSE: BAC), Citigroup Inc. (NYSE: C), JPMorgan Chase & Co. (NYSE: JPM) and several other financial institutions have reached an agreement in principle to create a single master liquidity enhancement conduit ("M-LEC"). Once established, M-LEC will agree, for a set period of time, to purchase qualifying highly-rated assets from certain existing SIVs that choose, in their sole discretion, to take advantage of this new source of liquidity. Access to such liquidity is intended to allow participating sellers to meet pending redemptions and facilitate asset-backed commercial paper rollovers.

M-LEC will issue new short-term credit instruments to finance its purchase of eligible assets from participating sellers. The instruments issued by M-LEC are intended to benefit from various features, including a cushion of support from junior layers of capital and liquidity backstops. The size of the vehicle, the scope of the liquidity backstops, and the underlying cushion of capital are intended to enhance the liquidity and marketability of the short-term obligations of M-LEC.

The three major banks and other participating financial institutions will coordinate on a process, the terms of which are still being finalized, for determining asset eligibility for M-LEC. A syndication process is currently underway to identify the liquidity backstops to include several additional financial institutions, in order to scale M-LEC to a size and funding structure deemed appropriate by the consortium. M-LEC could be operational within 90 days. Multiple investment management firms have been engaged in discussion with the consortium and expressed support for the plan.

Recently, refinancing in the asset-backed commercial paper markets has been difficult despite the high quality collateral underlying many of these securities. The objective of M-LEC is to facilitate these re-financings and to complement other market-based solutions in supporting an orderly and efficient market environment.

The Department of Treasury facilitated the discussions among the consortium of banks and investment managers.

SOURCE: Bank of America

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