

## Bachus, Pryce urge SEC to help restore liquidity to auction-rate securities market

April 28, 2008

On April 25th, House Financial Services Committee Ranking Member Spencer Bachus (R-AL) and Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises Ranking Member Deborah Pryce (R-OH) sent a letter to Securities and Exchange Commission Chairman Christopher Cox regarding the loss of liquidity in the market for auction rate preferred securities.

In their letter, Reps. Bachus and Pryce urged the SEC, "to provide temporary relief to protect close-end fund shareholders and restore desperately-needed liquidity to this frozen market."

A copy of the Bachus-Pryce letter follows.

April 25, 2008

The Honorable Christopher Cox

Chairman

U.S. Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549

Dear Chairman Cox:

The ongoing turmoil in financial markets has spilled over into the market for auction-rate securities in recent months, including auction-rate preferred securities issued by close-end funds, resulting in a troubling loss of liquidity for closed-end fund shareholders that hold auction market preferred stock ("AMPS"). We believe that prompt action by the Commission to remove regulatory hurdles would allow more funds to inject liquidity into the marketplace and help their shareholders.

We would therefore encourage the Commission to use its exemptive authority to temporarily permit funds to allow the same asset coverage for debt and preferred shares so they can refinance outstanding AMPS with debt. We understand that the investment company industry has submitted a request to the Commission for such exemptive relief and urge you to consider this request expeditiously to restore a well-functioning closed-end fund market. This solution will help preferred shareholders achieve liquidity while protecting the interests of common shareholders. We understand that a fund could not replace AMPS with debt unless its board found that the refinancing was in the best interests of all fund shareholders, taking into account the interests of both common and preferred shareholders.

We are aware of several affected funds that may be interested in issuing a new type of preferred stock that carries a put option, which would make the product eligible for money market funds to hold. This new product would address the liquidity concerns of current AMPS shareholders, and may be the key to restoring the functioning of the auction market for these types of securities.

We strongly urge the Commission to provide temporary relief to protect close-end fund shareholders and restore desperately needed liquidity to this frozen market.

Thank you for considering our views.

Sincerely,

Spencer Bachus

Deborah Pryce

Ranking Member

Ranking Member

Subcommittee on Capital Markets, Insurance & Government

Sponsored Enterprises