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UNDERWRITERS & DEALERS

Up to \$10 Billion in Auctions Fail

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Posted 02/14/08

The ailing municipal auction-rate market took a turn for the worse today, as six investment banks had auctions fail. One market source estimated \$9 billion to \$13 billion of par value of muni auctions have failed since last month. Bond Buyer reporters are examining this growing crisis and its effects on investment banks, municipal issuers, and the regulatory environment.

Check back here tomorrow for the complete stories on the following issues:

Up to \$10 Billion in Auctions Fail This Week

Auctions of municipal auction-rate securities totaling as much as \$10 billion in par value have failed this week. A market source estimated that broker-dealers buying up excess auction-rate securities accounted for 10% to 20% of the market.

Issuers Scramble to Cope With Auction Failures

Issuers in New York and across the country saw their auction rate securities fail to sell yesterday, expanding a trend that began late last year and sending the governments, hospital groups, and transit agencies scrambling to find ways to adjust to the dramatically higher interest rates at which the securities reset.

Clarification Sought on Auction-Rate Conversions

The Securities Industry and Financial Markets Association is urging the US Treasury to clarify that auction rate securities that are converted to another interest rate mode will be treated as qualified tender bonds so that they can avoid reissuance problems.

Southeast Region Volume Reverses to 16% Decline in 4Q

The 11 states comprising the Southeast saw bond issuance increase in each of the first three quarters then decline 16.3% in the fourth quarter as liquidity dried up and deepening troubles for the bond insurers hobbled the market for auction-rate securities, problems that have recently spilled over into variable-rate deals.

Alabama Congressman Calls Municipal Regulatory Regime Broken

Rep. Spencer Bachus, R-Ala., the ranking member of the House Financial Services Committee yesterday said federal regulators should act quickly to resolve "structural weaknesses" in the municipal securities market. Bachus suggested that the ongoing problems facing the financial guarantors show that the existing regulatory regime for munis is broken.

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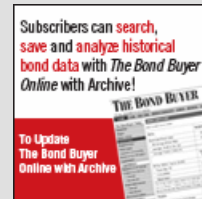
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