

MEMO# 21465

August 10, 2007

Developments in the Fixed-Income Market: Review of Valuation and Liquidity Procedures

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TO: BOARD OF GOVERNORS No. 20-07
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SEC RULES COMMITTEE No. 64-07
ACCOUNTING/TREASURERS COMMITTEE No. 17-07 RE: DEVELOPMENTS IN THE FIXED-INCOME MARKET: REVIEW OF VALUATION AND LIQUIDITY PROCEDURES

We have been monitoring and discussing with members developments affecting the fixed-income market and specifically certain asset-backed securities and collateralized debt obligations. In light of these developments, we believe it is imperative that funds take steps to assure that they are using appropriate and consistent methods to calculate the value of these assets and have adequate policies and procedures in place for making associated liquidity determinations.

Institute members may wish to review their policies and procedures relating to the valuation and liquidity of fund assets and, in particular, asset-backed securities and collateralized debt obligations, in light of current market circumstances.

Paul Schott Stevens
President

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