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BDA Submits Comment Letter to Federal Reserve on Municipal Securities as 'High Quality Liquid Assets' (HQLA).

Today, BDA submitted a [comment letter](#) to the Federal Reserve in response to its [proposed rule](#) to allow investment grade, general obligation U.S. state and municipal bonds to be counted as High Quality Liquid Assets (HQLA) under the Liquidity Coverage Ratio (LCR), a new bank liquidity rule.

The proposed rule would include GO municipal securities as level 2B high quality liquid assets under the LCR, subject to significant limitations. BDA argues that the exclusion of revenue bonds is based on a mischaracterization and the proposed limits on GO bonds are unnecessary given the ability of municipal bonds to retain value under stressful market conditions relative to other level 2B assets, including corporate debt and equity.

Currently, the proposal will only apply to bank holding companies that are primarily regulated by the Federal Reserve. Therefore, BDA urges the Federal Reserve, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation to work on a comprehensive rule that will include all investment grade municipal securities and apply to all bank holding companies subject to the rule.

The BDA's previous letter on including munis as HQLA can be read [here](#).