

Bond Case Briefs

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House Committee Approves Bill to Classify Investment Grade Munis as High Quality Liquid Assets.

On November 3, 2015, the House Financial Services Committee approved [HR 2209](#), bipartisan legislation that would require federal regulators to classify all investment grade municipal securities as high quality liquid assets (HQLA). This important legislation is necessary to amend the liquidity coverage ratio rule approved by federal regulators last fall, which classifies foreign sovereign debt securities as HQLA while excluding investment grade municipal securities in any of the acceptable investment categories for banks to meet new liquidity standards.

Not classifying municipal securities as HQLA will increase borrowing costs for state and local governments to finance public infrastructure projects, as banks will likely demand higher interest rates on yields on the purchase of municipal bonds during times of national economic stress, or even forgo the purchase of municipal securities. The resulting cost impacts for state and local governments could be significant, with bank holdings of municipal securities and loans having increased by 86% since 2009.

The next stop for HR 2209 is the House floor, but the date for its consideration has not been determined yet. GFOA is urging its members to send letters to their congressional delegations urging support for this bill. A draft letter has been developed for your use which is available [here](#). Please reach out to your House members today and urge them to support HR 2209.

GFOA

Thursday, November 5, 2015