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U.S. House Approves Bill to Classify Muni Securities as High Quality Liquid Assets.

On February 1, the House voted to approve HR 2209, bipartisan legislation that would require federal regulators to classify all investment-grade, liquid, and readily marketable 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 would increase borrowing costs for state and local governments to finance public infrastructure projects, as banks would 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.

GFOA has been leading advocacy efforts to support this legislation and sincerely thanks Representatives Luke Messer (R-IN) and Carolyn Maloney (D-NY) for their leadership in advancing this important bill, as well as all of GFOA members who sent letters to their federal elected leaders urging support for this bill. Our attention now turns to the Senate, where we are working with a group of bipartisan Senators to introduce a Senate companion bill to HR 2209. Stay tuned.

GFOA

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