

Bond Case Briefs

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House Committee Unanimously Approves Bill to Classify Municipal Bonds as High-Quality Liquid Assets.

The House Financial Services Committee on July 25 unanimously voted to report the [Municipal Finance Support Act of 2017](#), H.R. 1624, to the full House of Representatives for consideration. The legislation, introduced by Representative Luke Messer (R-IN), would allow large banks to count some of their municipal bond investments, including tax-exempt housing bonds, as high-quality liquid assets (HQLAs) under federal bank liquidity standards. NCSHA and several other state and local organizations supported the bill.

H.R. 1624 would modify a [regulation](#) the Federal Reserve, the Department of Treasury, and the Federal Deposit Insurance Corporation (FDIC) released in October 2014 to ensure that large banks hold enough liquidity to continue making payments during periods of financial stress. Under the rule, banks with at least \$250 billion in assets (or \$10 billion in foreign exposure on their balance sheet) must maintain a minimum liquidity coverage ratio (LCR) comprised of certain financial investments that are considered HQLAs. The rule took effect at the beginning of 2017.

A previous summary of H.R. 1624 by NCSHA can be found [here](#).

The legislation has 18 cosponsors: Republicans Randy Hultgren (IL), Peter King (NY), Bruce Polquin (ME), Richard Hudson (NC), Carlos Curbelo (FL), and Dennis Ross (FL); and Democrats Carolyn Maloney (NY), Gregory Meeks (NY), Robin Kelly (IL), Terri Sewell (AL), Kyrsten Sinema (AZ), Eleanor Holmes Norton (DC), Gwen Moore (WI), Marc Veasey (TX), Brad Sherman (CA), Ron Kind (WI), Nydia Velazquez (NY), and John Delaney (MD).

There is a [similar bill](#) in the Senate introduced by Senators Mark Warner (D-VA) and Mike Rounds (R-SD), S 828. Though the bill has been referred to the Senate Banking Committee, the Committee has not scheduled action on it.

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