January xx, 2016

The Honorable \_\_\_\_\_\_\_\_\_\_\_\_

United States Senate

\_\_\_\_\_\_ Senate Office Building

Washington, DC 20510

**RE: Classifying Municipal Securities as High Quality Liquid Assets**

Dear Senator \_\_\_\_\_\_\_\_\_\_\_\_\_\_:

On behalf of the INSERT THE NAME OF YOUR JURISDICTION, we are writing to ask for your leadership in introducing Senate companion legislation to HR 2209, bipartisan legislation that will classify all investment grade municipal securities as High Quality Liquid Assets (HQLA). This legislation is necessary to amend the 2014 Liquidity Coverage Ratio rule approved by the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency (OCC).

The rule established a minimum liquidity requirement for large banking organizations and identified acceptable investments – deemed HQLA – to meet this requirement, but it failed to include municipal securities in any of the acceptable investment categories. In doing so, regulators overlooked core features of these securities that are consistent with all of the criteria proposed by regulators to be characterized as HQLA, including limited price volatility, high trading volumes and deep and stable funding markets, as discussed below. After U.S. Treasuries, municipal securities are the safest available investment, with state and local governments having nearly a zero default rate. Yet the rule classifies foreign sovereign debt securities as HQLA while excluding investment grade municipal securities.

Not classifying municipal securities as HQLA will increase borrowing costs for the INSERT THE NAME OF YOUR JURISDICTION to finance much-needed public infrastructure projects, as banks will likely demand higher interest rates on yields on the purchase of our bonds during times of national economic stress, or even forgo the purchase of our securities during these times. The resulting cost impacts for us could be significant, as bank holdings of municipal securities and loans have increased dramatically over the past five years.

With an estimated $\_\_\_\_\_\_\_\_ **(PLEASE INCLUDE ESTIMATED TOTAL COST OF 10-YEAR CIP)** worth of capital improvement projects pending, including \_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_ **(PLEASE LIST A FEW OF YOUR HIGH PRIORITY PROJECTS)** amidst tight budget constraints, INSERT THE NAME OF YOUR JURISDICTION cannot afford to incur additional bond issuance costs that will result from this shortsighted 2014 rule. For these reasons, we are asking for your help in introducing Senate legislation to classify investment-grade municipal securities as HQLA. Doing so will help ensure low-cost infrastructure financing remains available for the INSERT THE NAME OF YOUR JURISDICTION to continue to build the infrastructure for commerce, public safety, job creation and the development of an educated workforce that our citizens and regional economy rely upon.

Thank you for your consideration of our request.

Sincerely,