

February 1, 2016

To: Members of the House of Representatives

From: James Ballentine, Executive Vice President, Congressional Relations & Political Affairs

Re: Support H.R. 2209 on House Suspension Calendar

On behalf of the members of the American Bankers Association (ABA), I am writing to express our support for H.R. 2209, a bill to be considered on the suspension calendar on Monday, February 1, 2016.

This legislation, which passed the House Financial Services Committee by a vote of 56-1, will require the Federal banking agencies to treat certain municipal obligations as level 2A liquid assets, under the Liquidity Coverage Ratio (LCR). ABA has long argued that the high quality nature of municipal securities should be recognized under the LCR and that discouraging bank investment in municipal securities would make funding for state and local entities more expensive and difficult. Additionally, we welcome the expansion of the LCR's definition of "high quality liquid assets." Allowing a more diverse set of assets will strengthen the credibility of the LCR by ensuring that the definition of HQLA incorporates the significant variety of liquidity sources that banks have safely relied upon in the past.

While we are certainly supportive of this legislation, we urge Congress to address the LCR's adverse treatment of municipalities by requiring the Federal banking agencies to exclude municipal deposits from the LCR calculation. Banks are required to collateralize municipal deposits under state law, which in effect creates a double buffer and makes the deposits prohibitively expensive for banks.

We thank Congressman Luke Messer (R-IN) and a number of bipartisan cosponsors for introducing this important measure and we urge the House to pass this legislation.