



RESOLUTION

SUPPORTING THE CLASSIFICATION OF INVESTMENT GRADE MUNICIPAL SECURITIES AS HIGH QUALITY LIQUID ASSETS

WHEREAS, For nearly 200 years, state and local governments have relied on municipal bonds as an affordable, efficient source of funding for schools, highways and other critical infrastructure projects; and

WHEREAS, By excluding municipal securities as High Quality Liquid Assets (HQLA) under the 2014 Liquidity Coverage Ratio (LCR) Rule, NAST is concerned that borrowing costs for state and local governments to finance public purpose projects will increase, as banks will demand higher interest rates on the purchase of municipal bonds, or even forgo the purchase of municipal securities altogether; and

WHEREAS, The House of Representatives has unanimously passed HR 2209, a bill by Luke Messer (R-IN) and Carolyn Maloney (D-NY), that directs the federal banking regulators to amend the LCR to require municipal obligations that are liquid, readily marketable and investment grade to be treated as level 2A liquid assets; and

WHEREAS, By classifying these investment grade municipal securities as HQLA, HR 2209 would provide much needed support for states, counties and localities that rely on municipal bonds as low-cost, efficient sources of funding for schools, roads, bridges and other essential public infrastructure projects; and

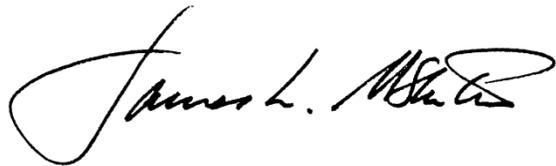
WHEREAS, Municipal bonds are low risk and have limited price volatility, high trading volumes, and are liquid and readily marketable. These are features that are consistent with the HQLA criteria used in the LCR rule; and

WHEREAS, By enacting legislation that would apply to the FDIC, OCC, and Federal Reserve, it would remove regulatory and compliance uncertainty for institutions that are regulated by multiple entities.

NOW, THEREFORE BE IT RESOLVED, that the National Association of State Treasurers supports federal legislation that amends the 2014 Liquidity Coverage Ratio Rule to require municipal bonds that are liquid, readily marketable and investment grade to be treated as level 2A liquid assets.

BE IT FURTHER RESOLVED, that the National Association of State Treasurers supports consensus and uniformity among the FDIC, OCC, and Federal Reserve on investment grade municipal securities and will support nothing less than a comprehensive 2B designation for general obligation, appropriations backed, and revenue credit municipal bonds among all three entities.

Approved this 12th Day of September, 2016, by the National Association of State Treasurers

A handwritten signature in black ink, reading "James L. McIntire". The signature is written in a cursive style with a large, sweeping initial "J".

Hon. James McIntire,
NAST President,
Treasurer, State of Washington