COMMONWEALTH *of* VIRGINIA

Department of the Treasury

MANJU S. GANERIWALA
TREASURER OF VIRGINIA

P. O. BOX 1879
RICHMOND, VIRGINIA 23218-1879
(804) 225-2142
Fax (804) 225-3187

August 29, 2014

Department of the Treasury
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218, Mail Stop 9W-11
Washington, DC 20219
Attn: Legislative and Regulatory Activities Division
Docket ID OCC-2013-0016

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Attn: Robert deV. Frierson, Secretary
Docket No. R-1466

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attn: Comments / Legal ESS
Robert E. Feldman, Executive Secretary
RIN No. 3064-AE04

Dear Sir/Madam:

As the Treasurer of the Commonwealth of Virginia, I ask that you reconsider excluding municipal securities when calculating the High Quality Liquid Assets ("HQLA") held by banks. Municipal securities are an important security holding for banks and represent the most important funding vehicle for public infrastructure financings. The municipal bond market is a highly liquid, well diversified, and transparent market. According to statistics provided by Citigroup Global Markets Inc., the municipal market is a $3 trillion market with the MSRB overseeing more than 1,600 registered broker dealers. Its liquidity is clearly evident in its average daily trading volume of nearly $7 billion, which constitutes a greater percentage of outstanding par value than non financial investment grade debt or GSE debt (excluding GNMA debt).

In addition to the vital role this market plays in holding down the cost of borrowing by municipalities and state governments, municipal bonds are a key type of security used by banks to collateralize public deposits as required by law in many states. In Virginia, for example, for the year ending June 30, 2014, 11 percent of the $8 billion in public deposits was collateralized by municipal bonds held in bank portfolios. By excluding these bonds from HQLA status, there will be less demand for them by banks, thereby raising the marginal cost of borrowing by municipal entities, perhaps to the point of discouraging new projects or additional resources for towns, cities, and states. Further, since banks would be discouraged from holding municipal bonds as collateral for public deposits, banks may only accept public deposits at lower than market interest rates, depriving public depositors of an important source of income for short-term deposits, further squeezing municipal finances in the still difficult financial environment.

I urge you to accept and designate municipal securities as High Quality Liquid Assets.

Sincerely,

Manju Ganeriwala

Manju S. Ganeriwala