



Federal Deposit Insurance Corporation  
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter  
FIL-43-2018  
August 22, 2018

## Liquidity Coverage Ratio: Treatment of Certain Municipal Obligations as High Quality Liquid Assets

**Summary:** Pursuant to the *Economic Growth, Regulatory Relief, and Consumer Protection Act* (EGRRCPA), the FDIC, the Board of Governors of the Federal Reserve System (FRB), and the Office of the Comptroller of the Currency (OCC) (collectively, the agencies) are jointly issuing and inviting comment on an Interim Final Rule (IFR). The IFR amends the agencies' liquidity coverage ratio rule (LCR rule) to treat liquid and readily-marketable, investment grade municipal obligations as high-quality liquid assets (HQLA). The LCR rule and this IFR only are applicable to depository institutions with \$10 billion or more in total consolidated assets that are consolidated subsidiaries of internationally active banking organizations with total consolidated assets of \$250 billion or more or that have \$10 billion or more in foreign exposures.

**Statement of Applicability to Institutions with Total Assets Under \$1 Billion:** This Financial Institution Letter is not applicable to depository institutions with total assets of less than \$1 billion.

### Distribution:

FDIC-Supervised Banks (Commercial and Savings)

### Suggested Routing:

Chief Executive Officer  
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### Related Topics:

Liquidity Coverage Ratio  
12 CFR Part 329

### Attachment:

[Liquidity Coverage Ratio Rule: Treatment of Certain Municipal Obligations as High Quality Liquid Assets](#)

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### Note:

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### Highlights:

The IFR amends the LCR rule to implement Section 403 of the EGRRCPA, which requires the agencies to treat a municipal obligation as a level 2B liquid asset of HQLA if the obligation, as of the calculation date, is liquid and readily-marketable and investment grade.

Pursuant to Section 403 of the EGRRCPA, the IFR amends the LCR rule as follows:

- Adds municipal obligations that are liquid and readily-marketable and investment grade under 12 CFR part 1, as of the LCR calculation date, to the list of assets eligible for treatment as level 2B liquid assets;
- Adds a definition for "municipal obligations," which means an obligation of (1) a state or any political subdivision thereof or (2) any agency or instrumentality of a state or any political subdivision thereof; and
- Adds a reference to the FRB's definition of liquid and readily-marketable in 12 CFR 249.3 to the definition of "liquid and readily-marketable."

This IFR takes effect upon publication in the *Federal Register* and has a 30-day public comment period.