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January 31, 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

Re: Liquidity Coverage Ratio: Liquidity Risk Measurement, Standards, and Monitoring

The Massachusetts Port Authority ("the Authority" or "Massport") appreciates the opportunity to respond to the request for comment issued by the Office of the Comptroller of the Currency, Department of the Treasury, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (collectively, "the Agencies") on the proposed rule to implement a quantitative liquidity requirement (the "proposed rule") consistent with the liquidity coverage ratio standard established by the Basel Committee on Banking Supervision ("BCBS") for large, internationally active banking organizations, covered nonbank companies and their consolidated subsidiary depository institutions with total assets greater than $10 billion. In this letter, the Authority is commenting specifically on those aspects of the proposed rule that we believe would have the greatest impact on the U.S. municipal securities market[1] and our ability to continue to finance critical public works projects.

The Authority owns and operates Boston-Logan International Airport ("Logan Airport"), Worcester Regional Airport ("Worcester Regional Airport") and Laurence G. Hanscom Field ("Hanscom Field"); the Paul W. Conley Marine Terminal ("Conley Terminal") and various port properties, located in Charlestown, South Boston and East Boston.

[1] This letter is specifically in response to Questions 12 and 22 in the Notice of Proposed Rulemaking as they relate to the municipal securities market.

Logan Airport is the most active airport in New England and provides both international and domestic commercial service. Logan serves the 9th largest domestic origin-destination air travel market in the U.S and handled over 30 million passengers in 2013. Hanscom Field is the premier general aviation airport in the Greater Boston area and provides niche commercial service. Worcester Regional Airport supports commercial service and the general aviation needs of central Massachusetts. The Port is New England's major port and provides a full range of services, from cruise ship to container ship handling. In addition to operating its facilities, the Authority is committed to providing the modern infrastructure necessary to support the transportation needs of the travelers and shippers in Boston, the Commonwealth and New England. To support this mission, Massport has $1.6 billion in bonds outstanding backed solely by Massport's revenues. Although the Authority lacks taxing power, its history of prudent financial management has earned its revenue bonds AA ratings from all three rating agencies.

Broad market access is important to the Authority as the interest on the majority of its issues are subject to the Alternative Minimum Tax ("AMT"), such as the $116.8 million in bonds issued in 2012 to expand the Logan terminals to permit United and JetBlue to expand service. By combining the Authority's strong credit rating with broad market access, we reduced the debt service on the bonds and on the associated refunding by over $1.7 million, money that was redirected to additional capital expenditures.

In 2011, Massport sold $214 million in debt backed solely by a new rental car transaction fee. The resulting LEED-certified consolidated rental car center enabled the rental car companies to expand their business at Logan. The new clean busing system reduced the number of buses from 94 to 32, lowering emissions and reducing curb congestion.

Massport wishes to continue to make investments at all of its facilities to foster economic growth in the New England region. The current capital plans call for the issuance of over $350 million in debt in the next three years to finance both remote and on-airport parking, to connect domestic and international terminals to generate traffic for the five new international carriers that have started service at Logan within the past year, and to support much needed roadway improvements. Massport can only hope to accomplish these important projects if its bonds have broad market access.

Massport fully supports the efforts of the Agencies to enhance liquidity risk management in the banking sector and ensure strong and resilient financial markets. We believe, however, that the proposed exclusion of municipal securities from the High Quality Liquid Asset ("HQLA") definition is unjustified based on the Agencies' own liquidity criteria and our understanding of the municipal market. The Agencies have stated, for example, that they consider the depth and breadth of markets as key indicators of liquidity and, for that reason, have specifically proposed to require the existence of a large and diverse number of market participants as part of their HQLA criteria. The largest concentration of holders in the municipal securities market is, by far, the household sector. According to the Federal Reserve's own data[2], more than 44% of all outstanding municipal securities are held either directly in retail hands or in separately managed individual accounts. Almost half of the market then is held by a sector which is itself a diverse population of thousands of individual investors.

[2] Federal Reserve Statistical Release, Z.1 Financial Accounts of the United States, L.211, September 25, 2013.

The Agencies have also imposed certain diversification requirements with respect to a covered company's stock of HQLA. According to Federal Reserve data[3], municipal securities currently comprise less than 4% of U.S. Depository Institutions' total assets. That is less than either corporate bonds or Agency and GSE-backed securities. From this perspective, municipal securities present less systemic risk. We believe, therefore, that this under-concentrated exposure among U.S. banks to municipal securities should make the asset class desirable for inclusion in HQLA.

The Agencies also specifically require that HQLA be eligible to be pledged at a central bank. It is important to note then that the U.S. Federal Reserve accepts all U.S. municipal bonds at a 2%-5% haircut, depending on maturity. These are the same haircuts that the Federal Reserve applies to U.S. Agency and GSE securities. By comparison, the Federal Reserve accepts U.S. AAA corporate bonds at a 3%-6% haircut and all other investment grade corporate bonds at a 5%-8% haircut. Thus, the U.S. Federal Reserve already acknowledges the high credit, diversification and liquidity value of municipal securities by accepting them at the same haircuts as U.S. Agency and GSE securities and at better haircuts than U.S. corporate bonds. We do not see any justification for the Agencies to diverge on this point, as has been proposed.

Beyond the inconsistencies and illogical outcomes, we are most concerned with the potential for significant and adverse unintended consequences. We believe that the proposed rule may serve to impair a long history of legislative motivation for banks to serve and support the municipal securities market. Without having offered any demonstration of diminished liquidity, the Agencies have proposed not to allow municipal securities to qualify as HQLA at this time and, in doing so, we believe, propose to dampen bank demand for the asset class. In response to the exclusion, we expect that regulated companies would need to either reduce their participation in the municipal securities market, which, while not a majority, is still a meaningful percentage whose absence would be detrimental, or be forced to raise their pricing schematics accordingly. We believe that the immediate and direct consequence of this exclusion to the Authority will, therefore, be unnecessary, and potentially unbearable, increases in the cost of financing desperately needed repair and replacement of our facilities, which serve over thirty million passengers each year.

Thus, in order to avoid any unintended and unnecessary increases in the cost of improving municipal infrastructure and engaging in new public works projects, which are vital not only to the Authority and the New England Region, but to the health of the U.S air transport system, we urge the Agencies to amend the proposed rule in order to reclassify all investment grade municipal securities as eligible for inclusion as Level 2A High Quality Liquid Assets.

In order then to reaffirm the ability and role of U.S. banks to fund and serve U.S. state and local governments in our mission to provide critical public services and, in doing so, to support the health and growth of the broader national economy, Massport respectfully requests that the Agencies thoughtfully consider our suggestions.

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[3] Federal Reserve Statistical Release, Z.1 Financial Accounts of the United States, L.110, September 25, 2013. Holdings of private residential and commercial CMOs and other structured MBS have been excluded from corporate bond data.

The Authority appreciates this opportunity to comment and welcomes any questions that the Agencies may have for us.

Respectfully,

The Massachusetts Port Authority

John Pranckevicius, CPA

Director of Administration & Finance/
Secretary-Treasurer