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Office of the Comptroller of the Currency
400 7th Street, S.W. Suite 3E-218
Mail Stop 9W-11
Washington, D.C. 20219
Attention: Legislative and Regulatory Activities
Division
Docket ID OCC-2013-0016
RIN 1557 AD 74

Board of Governors of the Federal Reserve
System
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551
Attention: Robert de V. Frierson, Secretary
Docket No. R-1466
RIN 7100-AE03

Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Attention: Robert E. Feldman, Executive Secretary
RIN 3064-AE04

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

Ladies and Gentlemen:

The New York Bankers Association (NYBA) appreciates the opportunity to comment on the notice of proposed rulemaking issued by the Federal Deposit Insurance Corporation (the "FDIC"), the Board of Governors of the Federal Reserve System ("Federal Reserve") and the Office of the Comptroller of the Currency (the "OCC," and collectively, the "Agencies"), entitled *Liquidity Coverage Ratio: Liquidity Risk Measurement, Standards, and Monitoring* (the "Proposal"), which implements the Liquidity Coverage Ratio (LCR) in the United States for Covered Banks. NYBA is comprised of the community, regional and money center commercial banks and thrift institutions doing business in New York State. In aggregate, our members employ approximately 200,000 New Yorkers and hold more than \$9 trillion in assets.

NYBA supports the Agencies' goals of ensuring that banks and the entire financial system have appropriate safeguards in place so that they are well positioned to withstand future liquidity, and other challenges. However, we share the concerns expressed by the American Bankers Association in its letter, as well as those expressed in the joint letter of the American Bankers Association, the Clearing House Association, the Securities Industry & Financial Markets Association, the Financial Services Roundtable, the Institute of International Bankers and the Structured Finance Industry Group (collectively the "Associations") with respect to the Proposal as currently drafted. In this regard, we echo their concerns that the Proposal deviates too significantly from the Basel LCR, and thus does not achieve the appropriate balance between international harmony and the standards tailored for United States institutions and markets. We also strongly agree with the Associations' view that the LCR requirements will interact with many of the laws and regulations enacted in the last five years relating to capital, leverage and other prudential standards, in ways that may work against the goals of competitive equality, and transparency across markets.

Because we believe that the Associations have clearly laid out the many concerns the Proposal raises for NYBA's members, our letter will focus on an issue of particular importance to the continued financial support by financial institutions in New York of their local and State governments: that is, the Proposal's treatment of municipal securities and collateralized state and local deposits. We believe that the Proposal's failure to include municipal securities within the definition of high quality liquid assets (HQLA) is inappropriate, given their liquid and rich market. This exclusion can only serve to discourage bank investment in municipal securities, thereby making it more difficult and more expensive for state and local entities to meet their funding needs. Moreover, the classification of collateralized state and local deposits as "secured funding" leads to unnecessary distortions that will only serve to increase the cost of these deposits for bank customers. This is particularly true with respect to the municipal deposits of New York State and its local government authorities, as by law these stable, relationship-based deposits must be at least 100% collateralized.

For the same reasons, we believe that municipal and other collateralized deposits should be excluded from the LCR calculation. Under the Proposal, the amount of HQLA for purposes of the LCR is based on the assumed unwind of, among other things, secured funding transactions. The goal of this requirement is to ameliorate the risk of manipulation of liquid assets in order to inflate the amount of higher quality HQLA on the Covered Bank's balance sheet for LCR purposes. But state and local deposits are stable and relationship-based deposits that, from the depository institution's perspective are first and foremost deposits. Thus, they are very different in nature from other secured funding transactions, and should not be included in the LCR calculation at all, and certainly not in the unwind calculation.

We believe that the current Proposal would undoubtedly discourage Covered Banks from investing in municipal securities and providing secured deposit services to municipalities, the state, and other public sector entities in New York and across the nation. The already rigorous requirements for 100%+ collateralization in New York even now present challenges to engaging in this line of business. These additional onerous regulatory requirements (which could have a highly negative impact on Covered Banks' LCR calculations) will only exacerbate this situation, leaving many public entities with the very real problem of finding competitively priced and available access to banking services. Therefore, we urge that municipal and other collateralized deposits be excluded from the LCR calculation, and most particularly from the unwind calculation.

Once again we thank you for the opportunity to comment on this important matter.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Michael P. Smith".

Michael P. Smith