

**National Governors Association  
National Conference of State Legislatures  
The Council of State Governments  
National Association of Counties  
National League of Cities  
U.S. Conference of Mayors  
International City/County Management Association  
Government Finance Officers Association**

October 16, 2014

Legislative and Regulatory Activities Division  
Office of the Comptroller of the Currency  
400 7th St., SW  
Suite 3E-218  
Washington, D.C. 20219

Mr. Robert deV. Fierson, Secretary  
Board of Governors of the Federal Reserve System  
29th St. and Constitution Ave., NW  
Washington, D.C. 20551

Mr. Robert E. Feldman, Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17th St., NW  
Washington, D.C. 20429

**Re: Docket ID OCC-2013-0016**

On behalf of state and local elected and appointed officials, we urge your agencies to amend your recent decision to not treat municipal securities as High Quality Liquid Assets (“HQLA”). Municipal securities are and continue to be among the safest for investors and are highly tradeable. The final rule should reflect the strength, integrity and value of municipal securities by identifying them as HQLA.

On September 3, 2014, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve and the Federal Deposit Insurance Corporation (the “Agencies”) approved a final rule addressing the Liquidity Coverage Ratio (the “LCR Rule”), OCC Docket ID OCC–2013–0016. Accompanying the vote was a Federal Reserve staff memorandum, which recognized that the final LCR Rule did not treat municipal securities as HQLA and recommended that the Board develop a new proposal to include highly liquid municipal securities as HQLA.

We agree with the Federal Reserve memo that many municipal securities meet the criteria for HQLA.

Specifically, an amended LCR Rule should afford level 2A HQLA status for qualifying municipal securities. In determining criteria to admit certain securities issued by states and local governments as Level 2A liquid assets, we urge the Agencies to consider classifying as HQLA those municipal securities which are investment grade under 12 CFR part 1, and that have demonstrated reliable liquidity during times of economic stress. Key factors that the Agencies should consider in classifying municipal securities as HQLA include:

- Issuer size as measured by total volume of publicly traded debt securities outstanding;
- Trading volume or frequency of the issuer's debt securities;
- Low price volatility and bid-ask spreads during stressed market conditions; and
- Size of the bond issue that includes the subject security.

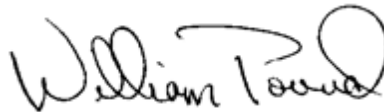
We believe that amending the LCR Rule using the above criteria will ensure that highly liquid municipal securities can be classified appropriately as HQLA in a manner that is consistent with the Agencies objectives of strengthening the banking system.

We look forward to working with you to ensure municipal securities are appropriately recognized in the final rule.

Sincerely,



Dan Crippen  
Executive Director  
National Governors Association



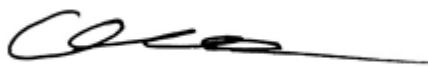
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David Adkins  
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The Council of State Governments



Matt Chase  
Executive Director  
National Association of Counties



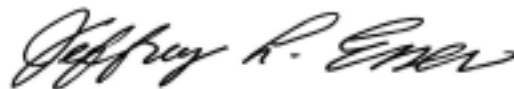
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