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Executive Secretary to the Board

Diana Pope
Director, Financing and Investment Division

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January 24, 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

Dear Sirs:

On behalf of the State of Georgia, we appreciate the opportunity to respond to the request for comment issued by the Office of the Comptroller of the Currency, the 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, nonbank financial companies designated by the Financial Stability Oversight Council for Board supervision that do not have substantial insurance activities, and their consolidated subsidiary depository institutions with total assets greater than $10 billion (the "regulated companies"). As we anticipate that you will receive many comments on the proposed rule, which will support and supplement our position with copious statistical data, charts, and tables, we will keep our response brief and to the point.

The State of Georgia is the ninth largest state in the nation in terms of population based on the most recent census estimates. The State and its political subdivisions have issued several billion dollars of municipal bonds in the last decade to improve and expand the state's colleges and universities, local K-12 school systems, highways, airports, local roads, water and wastewater systems, hospitals, and affordable housing for the approximately ten million residents of the State. The State's general obligation bond ratings are Aaa/AAA/AAA (Moody's/Standard and Poor's/Fitch) with stable outlooks from all three agencies.

With respect to the exclusion of municipal bonds from classification as Level 2A High Quality Liquid Assets ("HQLA"), we believe that the proposed rule would impair a long history of U.S. legislative motivation for banks to serve and support the municipal securities market and would have detrimental effects on the efficient functioning of the municipal securities market. (The term "municipal securities market" is used in the most general sense as meaning the universe of bonds issued by any of the 50 states of the United States and certain territories, and their various political subdivisions, including state authorities, cities, counties, school boards, city and county authorities, etc., and includes all manner of issuance methodologies including competitive sales, negotiated sales, private placements, bank placements and loans, etc.) We believe that the immediate and direct consequence of the proposed rule will be to diminish the ability of the states and their various political subdivisions to finance vital infrastructure projects by increasing the cost of financing necessary repairs and replacements of existing infrastructure and the construction of new projects which are needed to support a vibrant and expanding U.S. economy as it competes in an increasingly competitive world-wide economy, as the regulated companies would need to either reduce their participation in the municipal securities market (which, while not a majority of the market, is a meaningful percentage whose absence would be detrimental to the market) or that the regulated companies would be forced to raise their pricing schematics in response to the effects of the proposed rule.

We would remind the Agencies that currently the U.S. Federal Reserve accepts all municipal securities (not just those that are investment grade rated) at a 2%-5% haircut when pledged at the central bank, depending upon the maturity of the securities. Thus, the U.S. Federal Reserve already acknowledges the high credit, diversification, and liquidity value of municipal securities by accepting them at the same haircut as U.S. Agency and GSE securities and at better haircuts than U.S. corporate bonds, which would be included as HQLA under the proposed rule. We also note that the proposed rule would permit foreign sovereign state obligations to be categorized as HQLA, while obligations of the 50 U.S. states and their various political subdivisions would be excluded from consideration in any category of HQLA. Such a dichotomy would discriminate against the U.S. states and their political subdivisions and effectively would penalize the regulated companies for servicing domestic public sector clients, a result that would seem to be contrary to one of the stated purposes of the proposed rule. Nor do we believe that the Agencies purposely would favor foreign sovereign state obligations over the obligations of the U.S. states and their political subdivisions, which in our estimation are highly secure, stable, and liquid investments.

Therefore, we respectfully request that the Agencies revise the proposed rule in order to reclassify the securities of U.S. states and their political subdivisions as Level 2A HQLA. We believe that this revision would be consistent with the Agencies' stated intent of the proposed rule and would serve to improve the liquidity risk profiles of the regulated companies by enlarging and further diversifying the stock of eligible HQLA to include an asset class that has an inherently diverse investor base and to which the regulated companies currently are underexposed.

We also would request that the Agencies reconsider their outflow rate assumptions under the proposed rule for Secured Funding to U.S. banks that are generated from U.S. public sector entities. We believe that history shows these deposits to be very stable, and as such, they serve to further diversify the sources of stable funding for the regulated companies. We further believe that they warrant outflow rates commensurate with other HQLA secured financing and with a maximum outflow of 25%, as recommended in BCBS 238.

In closing, we would like to express our appreciation to the Agencies for this opportunity to comment regarding the proposed rule, and respectfully request that the proposed rule be revised to incorporate our recommended revisions. We believe such revisions will result in stronger regulated companies while maintaining the health and viability of the municipal securities market, contributing to a growing and healthy U.S. economy, which is in all our interests.

Respectfully,

Steve McCoy,
State Treasurer &
Commission Member

Greg S. Griffin
Greg S. Griffin,
State Auditor &
Commission Member

Diana Pope
Diana Pope,
Director