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President and CEO

October 7, 2016

The Honorable Mike Rounds
United States Senate
Washington, D.C. 20510

The Honorable Mark Warner
United States Senate
Washington, D.C. 20510

Dear Senators Rounds and Warner:

On behalf of the nearly 6,000 community banks represented by ICBA, I write to express our support for S. 3404, which would encourage financial institution investment in local communities.

The federal banking agencies' liquidity coverage ratio (LCR) rule, finalized in 2014, requires larger financial institutions to hold a specified ratio of "high quality liquid assets" (HQLAs) to cover anticipated net cash outflows under conditions of economic distress. Because municipal debt is not considered HQLA, financial institutions are discouraged from holding it. Municipalities depend on a vibrant market for their debt issuances, and the LCR rule will make it harder for them to finance critical infrastructure projects.

S. 3403 would address this problem by providing that municipal debt that is "investment grade" and "liquid and readily marketable," under specified regulatory criteria, is HQLA for purposes of the LCR rule. S. 3404 would promote a strong municipal bond market, which is vital to the prosperity of communities served by community banks.

Thank you for introducing S. 3404. We look forward to working with you to advance this legislation.

Sincerely,

/s/

Camden R. Fine
President & CEO

CC: Members of the Senate Banking Committee

The Nation's Voice for Community Banks.®

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