

114TH CONGRESS
2D SESSION

S. 3404

To amend the Federal Deposit Insurance Act to require the appropriate Federal banking agencies to treat certain municipal obligations as level 2B liquid assets, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 27, 2016

Mr. ROUNDS (for himself, Mr. WARNER, Mr. SCHUMER, Mr. TESTER, Mr. KIRK, Ms. HEITKAMP, Mr. SCOTT, Mr. MORAN, Mr. VITTER, and Mr. DONNELLY) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the Federal Deposit Insurance Act to require the appropriate Federal banking agencies to treat certain municipal obligations as level 2B liquid assets, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TREATMENT OF CERTAIN MUNICIPAL OBLIGA-**
4 **TIONS.**

5 (a) IN GENERAL.—Section 18 of the Federal Deposit
6 Insurance Act (12 U.S.C. 1828) is amended—

1 (1) by moving subsection (z) so that it appears
2 after subsection (y); and

3 (2) by adding at the end the following:

4 “(aa) TREATMENT OF CERTAIN MUNICIPAL OBLIGA-
5 TIONS.—

6 “(1) DEFINITIONS.—In this subsection—

7 “(A) the term ‘investment grade’, with re-
8 spect to an obligation, has the meaning given
9 the term in section 1.2 of title 12, Code of Fed-
10 eral Regulations, or any successor thereto;

11 “(B) the term ‘liquid and readily-market-
12 able’ has the meaning given the term in section
13 249.3 of title 12, Code of Federal Regulations,
14 or any successor thereto; and

15 “(C) the term ‘municipal obligation’ means
16 an obligation of—

17 “(i) a State or any political subdivi-
18 sion thereof; or

19 “(ii) any agency or instrumentality of
20 a State or any political subdivision thereof.

21 “(2) MUNICIPAL OBLIGATIONS.—For purposes
22 of the final rule entitled ‘Liquidity Coverage Ratio:
23 Liquidity Risk Measurement Standards’ (79 Fed.
24 Reg. 61439 (October 10, 2014)), the final rule enti-
25 tled ‘Liquidity Coverage Ratio: Treatment of U.S.

1 Municipal Securities as High-Quality Liquid Assets’
2 (81 Fed. Reg. 21223 (April 11, 2016)), and any
3 other regulation that incorporates a definition of the
4 term ‘high-quality liquid asset’ or another substan-
5 tially similar term, the appropriate Federal banking
6 agencies shall treat a municipal obligation as a high-
7 quality liquid asset that is a level 2B liquid asset if
8 that obligation is, as of the date of calculation—

9 “(A) liquid and readily-marketable; and
10 “(B) investment grade.”.

11 (b) AMENDMENT TO LIQUIDITY COVERAGE RATIO
12 REGULATIONS.—Not later than 90 days after the date of
13 enactment of this Act, the Federal Deposit Insurance Cor-
14 poration, the Board of Governors of the Federal Reserve
15 System, and the Comptroller of the Currency shall amend
16 the final rule entitled “Liquidity Coverage Ratio: Liquidity
17 Risk Measurement Standards” (79 Fed. Reg. 61439 (Oc-
18 tober 10, 2014)) and the final rule entitled “Liquidity
19 Coverage Ratio: Treatment of U.S. Municipal Securities
20 as High-Quality Liquid Assets” (81 Fed. Reg. 21223
21 (April 11, 2016)) to implement the amendments made by
22 this Act.

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