

FOR IMMEDIATE RELEASE

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APGA Expresses Concern over Federal Reserve Standards

Washington, D.C. (October 30, 2014) – Today, APGA sent letters to the Governors of the Board of the Federal Reserve System addressing a rule the Federal Reserve unanimously adopted in September that establishes new liquidity standards for large banks. The rule requires banks with at least \$250 billion in assets to meet new liquidity requirements. Under the rule, banks that meet the total asset threshold must maintain designated levels of High Quality Liquid Assets (HQLA), which are assets that are easily converted to cash. The issue of concern from APGA's perspective is that the rule currently does not classify municipal securities as HQLA. In its meeting to approve the rule, the Federal Reserve communicated that in response to the concerns raised by APGA and others that utilize municipal bonds, they are working on a proposal to include some municipal bonds as HQLA at a later date.

In the letter, APGA communicates that revenue bonds and general obligation bonds are critical tools utilized by public natural gas systems for investments in infrastructure as well as for long-term purchases of natural gas supply. The letter also communicates APGA's view that investment grade municipal bonds satisfy the criteria that has been established for eligibility within the definition of HQLA eligibility and urges their inclusion within the definition. Lastly, the letter states that failure to include these bonds within the definition would reduce the appeal for banks to underwrite them, ultimately increasing borrowing costs for public natural gas systems and increasing costs for their customers.

A copy of all the letters that were sent can be viewed on the APGA website at www.apga.org/correspondence.

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APGA is the national association of municipally and publicly-owned local distribution systems. There are about 1000 public gas systems serving more than 5 million customers. These public gas utilities are not-for-profit retail distribution entities that are owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that have natural gas distribution facilities.