

# California Society of Municipal Finance Officers

February 9, 2017

Bank Regulation Impact on Municipal  
Finance

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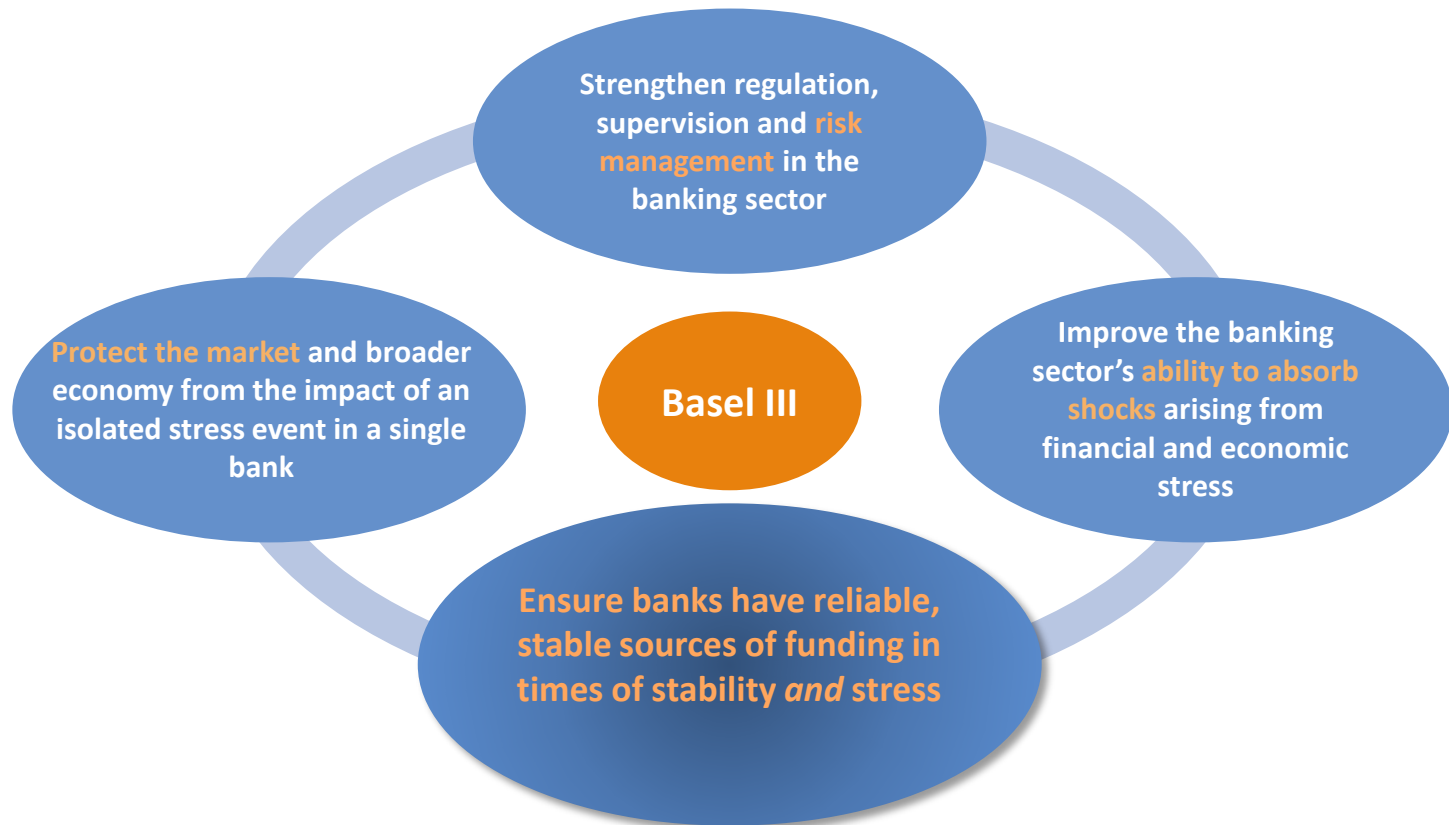
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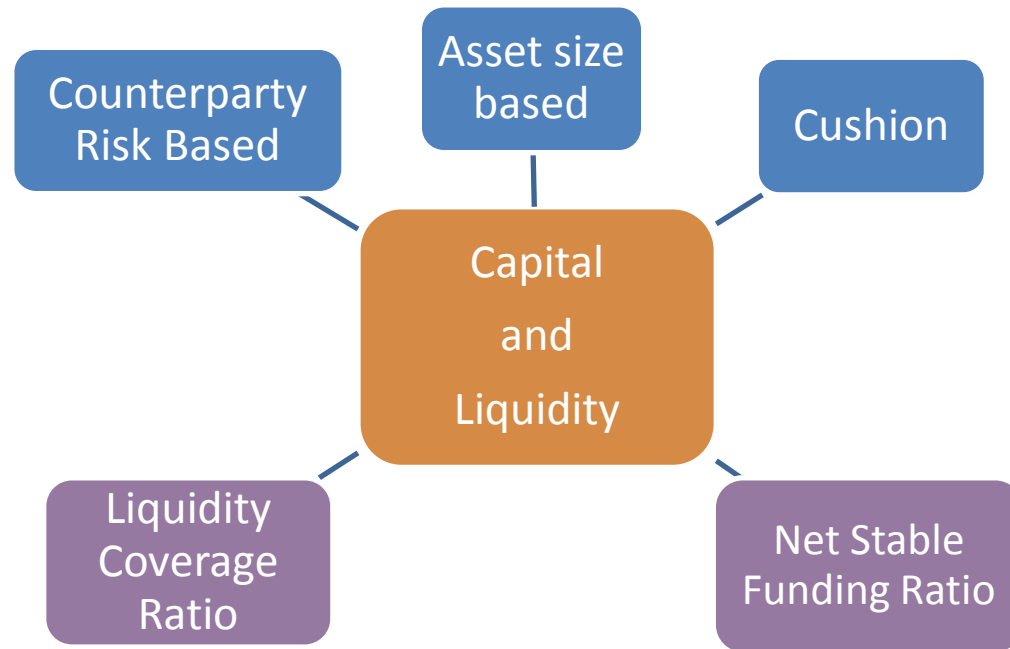
# The Changing Regulatory Environment

Basel III was developed by the Bank for International Settlements (“BIS”) which was established in 1930; goal is to help central banks with monetary and financial stability. Their head office is in **Basel, Switzerland.**



# US Basel III Components – Capital and Liquidity

## Capital and Liquidity – Two sides of the Same Coin



# Discussion Topics

- **Bank Regulation Impact on Deposit Products**
- Operating deposits – more valuable to Banks; what determines that a deposit is operating
- Non-operating deposits and cash management
  - State short term investment funds
  - Money market funds
  - Direct investments in securities
- Cost of deposit collateral
- **Bank Regulation Impact on Direct Loans with Banks**
- Historical shifts – pre-TEFRA (1986) and post-crisis (2008)
- Limitation on letters of credit (regulatory capital) encouraged Bank direct lending
- Municipal government considerations
  - Municipal advisor or placement agent
  - Loan or security (CUSIPs)
  - Official statement preparation
- Clients that use multiple services and products are more highly valued by banks
- **Change Agents over the coming years**
- Interest rates
  - Cash management
  - Delayed Draw Financing/Advanced Refunding
- Infrastructure Project Funding
- Marijuana Cash
- Technology and Technology costs
  - i.e. Debit card/visa card minimum merchant fee and parking meters