

BILL ANALYSIS

C.S.S.B. 1318
By: Van de Putte
Pensions & Investments
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, the Texas Public Fund Investment Act is silent on securities lending, although it does allow for similar investment programs such as repurchase and reverse purchase programs. Major retirement systems of the state, including the Employees Retirement System, use securities lending, and municipalities may be able to add substantial income to their revenue with securities lending. C.S.S.B. 1318 amends the Texas Public Fund Investment Act to specifically allow municipalities and others operating under the Act to utilize a securities lending program.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

ANALYSIS

SECTION 1. Amends Subchapter A, Chapter 2256, Government Code, by adding Section 2256.0115, as follows:

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM.
Provides that a fully collateralized securities lending program is an authorized investment under this subchapter if certain conditions are met.

SECTION 2. Effective date: September 1, 2003.

EFFECTIVE DATE

September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

In Section 2256.0115(b)(3)(a), provides that the loan may be secured by authorized pledged securities permitted by Section 2256.009 instead of only United States securities.

Adds in Section 2256.0115(b)(3)(B)(ii), that irrevocable letters of credit, used to secure a loan, must be pledged, and be issued by a bank that is organized and existing under the laws of the United States of any state that is continuously rated by at least one nationally-recognized investment rating firm at not less than A or its equivalent.

Adds Subsection (b)(6) to added Section 2256.0115, which requires that agreements to lend securities executed under authority of Section 2256.0115 have a term of one year or less.

