

A BILL TO BE ENTITLED

AN ACT

relating to the authorization of securities lending for governmental entities.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter A, Chapter 2256, Government Code, is amended by adding Section 2256.0111 to read as follows:

Sec. 2256.0111. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM. A fully collateralized securities lending program is an authorized investment under this subchapter if:

(1) the value of securities loaned under this subchapter is at least 100 percent collateralized, including accrued income;

(2) the loan may be terminated at any time;

(3) the loan is secured by United States securities, irrevocable letters of credit issued by a bank organized and existing under the laws of the United States or any state, or cash invested in accordance with Section 2256.009, 2256.013, 2256.014, or 2256.016;

(4) the loan requires the securities being held as collateral to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and

(5) the loan is placed through a primary government securities dealer, as defined by the Federal Reserve, or a

1 financial institution doing business in this state.

2 SECTION 2. This Act takes effect September 1, 2003.