

By: Van de Putte

S.B. No. 1318

Substitute the following for S.B. No. 1318:

By: Martinez Fischer

C.S.S.B. No. 1318

A BILL TO BE ENTITLED

AN ACT

relating to 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 2256.0115 to read as follows:

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

(1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;

(2) a loan made under the program must allow for termination at any time;

(3) a loan made under the program must be secured by:  
(A) pledged securities described by Section 2256.009;

(B) pledged irrevocable letters of credit issued by a bank that is:

(i) organized and existing under the laws of the United States or any other state; and

1                    (ii) continuously rated by at least one  
2 nationally recognized investment rating firm at not less than A or  
3 its equivalent; or

4                    (C) cash invested in accordance with Section:

5                                (i) 2256.009;

6                                (ii) 2256.013;

7                                (iii) 2256.014; or

8                                (iv) 2256.016;

9                    (4) the terms of a loan made under the program must  
10 require that the securities being held as collateral be:

11                                (A) pledged to the investing entity;

12                                (B) held in the investing entity's name; and

13                                (C) deposited at the time the investment is made  
14 with the entity or with a third party selected by or approved by the  
15 investing entity;

16                    (5) a loan made under the program must be placed  
17 through:

18                                (A) a primary government securities dealer, as  
19 defined by 5 C.F.R. Section 6801.102(f), as that regulation existed  
20 on September 1, 2003; or

21                                (B) a financial institution doing business in  
22 this state; and

23                    (6) an agreement to lend securities that is executed  
24 under this section must have a term of one year or less.

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