

AN ACT

relating to investments in certificates of deposit by certain governmental entities.

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

SECTION 1. Section 2256.010, Government Code, is amended to read as follows:

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office ~~[state or national bank domiciled in this state, a savings bank domiciled in this state, or a state or federal credit union domiciled]~~ in this state and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or

(3) secured in any other manner and amount provided by law for deposits of the investing entity.

1       (b) In addition to the authority to invest funds in  
2 certificates of deposit under Subsection (a), an investment in  
3 certificates of deposit made in accordance with the following  
4 conditions is an authorized investment under this subchapter:

5           (1) the funds are invested by an investing entity  
6 through a depository institution that has its main office or a  
7 branch office in this state and that is selected by the investing  
8 entity;

9           (2) the depository institution selected by the  
10 investing entity under Subdivision (1) arranges for the deposit of  
11 the funds in certificates of deposit in one or more federally  
12 insured depository institutions, wherever located, for the account  
13 of the investing entity;

14           (3) the full amount of the principal and accrued  
15 interest of each of the certificates of deposit is insured by the  
16 United States or an instrumentality of the United States;

17           (4) the depository institution selected by the  
18 investing entity under Subdivision (1) acts as custodian for the  
19 investing entity with respect to the certificates of deposit issued  
20 for the account of the investing entity; and

21           (5) at the same time that the funds are deposited and  
22 the certificates of deposit are issued for the account of the  
23 investing entity, the depository institution selected by the  
24 investing entity under Subdivision (1) receives an amount of  
25 deposits from customers of other federally insured depository  
26 institutions, wherever located, that is equal to or greater than  
27 the amount of the funds invested by the investing entity through the

1 depository institution selected under Subdivision (1).

2 SECTION 2. This Act takes effect immediately if it receives  
3 a vote of two-thirds of all the members elected to each house, as  
4 provided by Section 39, Article III, Texas Constitution. If this  
5 Act does not receive the vote necessary for immediate effect, this  
6 Act takes effect September 1, 2005.

H.B. No. 256

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President of the Senate

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Speaker of the House

I certify that H.B. No. 256 was passed by the House on March 23, 2005, by a non-record vote.

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Chief Clerk of the House

I certify that H.B. No. 256 was passed by the Senate on May 10, 2005, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor