

By: Hopson

H.B. No. 256

A BILL TO BE ENTITLED

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 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.

(b) In addition to the authority to invest funds in

1 certificates of deposit under Subsection (a), an investment in
2 certificates of deposit made in accordance with the following
3 conditions is an authorized investment under this subchapter:

4 (1) the funds are invested by an investing entity
5 through a state or national bank domiciled in this state, or through
6 a savings bank domiciled in this state, that is selected by the
7 investing entity;

8 (2) the bank selected by the investing entity under
9 Subdivision (1) arranges for the deposit of the funds in
10 certificates of deposit in one or more federally insured banks or
11 federally insured savings and loan associations, wherever located,
12 for the account of the investing entity;

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

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

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

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