

BILL ANALYSIS

S.B. 581
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Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

A strong public interest in the safety and management of public funds has compelled Texas and a number of other states to institute laws safeguarding those funds. Under current state law, a depository institution is required to pledge securities to collateralize public funds deposits in excess of the per-account Federal Deposit Insurance Corporation deposit insurance limit. Interested parties report that in recent years, many custodian banks have moved away from a paper process and instead adopted a web-driven electronic system, where a depository institution instantaneously receives trust receipts issued to both the depository institution and the public entity. The parties note that this process, while efficient for both entities, is not consistent with the procedures mandated by the state's Public Funds Collateral Act for the issuance and delivery of trust receipts. S.B. 581 seeks to align custodial obligations pertaining to the issuance and delivery of trust receipts with generally accepted business practices.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 581 amends the Government Code to set out provisions relating to the issuance and delivery of trust receipts by a custodian that receives an investment security pledged to a public entity to secure a deposit of public funds. The bill requires the custodian, for a deposit of public funds under a centralized pooled collateralization program, to issue and deliver a trust receipt for the pledged security to the comptroller of public accounts and, for a deposit of any other public funds under the Public Funds Collateral Act, requires the custodian, at the written direction of the appropriate public entity officer, to either issue and deliver a trust receipt for the pledged security to the appropriate public entity officer or to issue and deliver the trust receipt to the public entity's depository with instructions to immediately deliver the trust receipt to the public entity officer. The bill requires the custodian to issue and deliver the trust receipt as soon as practicable on the same business day on which the investment security is received.

S.B. 581 requires the custodian of a public entity to provide a current list of all pledged investment securities at the request of the appropriate public entity officer. The bill requires the list to include, for each pledged investment security, the name of the public entity, the date the security was pledged to secure the public entity's deposit, the Committee on Uniform Security Identification Procedures (CUSIP) number of the security, the face value and maturity date of the security, and the confirmation number on the trust receipt issued by the custodian.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2013.