

AN ACT

relating to the presentation of the investment policy of certain governmental entities to a business organization that conducts investment transactions for the entity.

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

SECTION 1. Sections 2256.005(k) and (l), Government Code, are amended to read as follows:

(k) A written copy of the investment policy shall be presented to any business organization [~~person~~] offering to engage in an investment transaction with an investing entity [~~or to an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio~~]. For purposes of this subsection and Subsection (l), "business organization" means an [~~a business organization includes~~] investment pool or [~~pools and an~~] investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a

1 written instrument in a form acceptable to the investing entity and  
2 the business organization substantially to the effect that the  
3 business organization has:

4 (1) received and reviewed the investment policy of the  
5 entity; and

6 (2) acknowledged that the business organization has  
7 implemented reasonable procedures and controls in an effort to  
8 preclude investment transactions conducted between the entity and  
9 the organization that are not authorized by the entity's investment  
10 policy, except to the extent that this authorization:

11 (A) is dependent on an analysis of the makeup of  
12 the entity's entire portfolio;

13 (B) ~~or~~ requires an interpretation of  
14 subjective investment standards; or

15 (C) relates to investment transactions of the  
16 entity that are not made through accounts or other contractual  
17 arrangements over which the business organization has accepted  
18 discretionary investment authority.

19 (1) The investment officer of an entity may not acquire or  
20 otherwise obtain any authorized investment described in the  
21 investment policy of the investing entity from a business  
22 organization that ~~[person who]~~ has not delivered to the entity the  
23 instrument required by Subsection (k).

24 SECTION 2. The changes in law made by this Act apply only to  
25 a contract for an investment transaction entered into with a  
26 business organization under Chapter 2256, Government Code, on or  
27 after the effective date of this Act. A contract entered into before

1 the effective date of this Act is subject to the law in effect at the  
2 time the contract was entered into, and the former law is continued  
3 in effect for that purpose.

4 SECTION 3. This Act takes effect September 1, 2017.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 1701 was passed by the House on April 20, 2017, by the following vote: Yeas 144, Nays 0, 2 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 1701 was passed by the Senate on May 12, 2017, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

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

Date

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Governor