

By: Parker

H.B. No. 1701

Substitute the following for H.B. No. 1701:

By: Burrows

C.S.H.B. No. 1701

A BILL TO BE ENTITLED

1 AN ACT

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

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

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

8 (k) A written copy of the investment policy shall be
9 presented to any business organization [~~person~~] offering to engage
10 in an investment transaction with an investing entity [~~or to an~~
11 ~~investment management firm under contract with an investing entity~~
12 ~~to invest or manage the entity's investment portfolio~~]. For
13 purposes of this subsection and Subsection (l), "business
14 organization" means an [~~a business organization includes~~]
15 investment pool or [~~pools and an~~] investment management firm under
16 contract with an investing entity to invest or manage the entity's
17 investment portfolio that has accepted authority granted by the
18 entity under the contract to exercise investment discretion in
19 regard to the investing entity's funds. Nothing in this subsection
20 relieves the investing entity of the responsibility for monitoring
21 the investments made by the investing entity to determine that they
22 are in compliance with the investment policy. The qualified
23 representative of the business organization offering to engage in
24 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.