

1-1 By: Parker (Senate Sponsor - Hancock) H.B. No. 1701  
 1-2 (In the Senate - Received from the House April 24, 2017;  
 1-3 May 4, 2017, read first time and referred to Committee on Business  
 1-4 & Commerce; May 10, 2017, reported favorably by the following vote:  
 1-5 Yeas 7, Nays 0; May 10, 2017, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7 Hancock	X			
1-8 Creighton	X			
1-9 Campbell	X			
1-10 Estes	X			
1-11 Nichols	X			
1-12 Schwertner			X	
1-13 Taylor of Galveston			X	
1-14 Whitmire	X			
1-15 Zaffirini	X			

1-17 A BILL TO BE ENTITLED  
 1-18 AN ACT

1-19 relating to the presentation of the investment policy of certain  
 1-20 governmental entities to a business organization that conducts  
 1-21 investment transactions for the entity.

1-22 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-23 SECTION 1. Sections 2256.005(k) and (l), Government Code,  
 1-24 are amended to read as follows:

1-25 (k) A written copy of the investment policy shall be  
 1-26 presented to any business organization ~~[person]~~ offering to engage  
 1-27 in an investment transaction with an investing entity ~~[or to an~~  
 1-28 ~~investment management firm under contract with an investing entity~~  
 1-29 ~~to invest or manage the entity's investment portfolio]~~. For  
 1-30 purposes of this subsection and Subsection (l), "business  
 1-31 organization" means an ~~[a business organization includes]~~  
 1-32 investment pool or [pools and an] investment management firm under  
 1-33 contract with an investing entity to invest or manage the entity's  
 1-34 investment portfolio that has accepted authority granted by the  
 1-35 entity under the contract to exercise investment discretion in  
 1-36 regard to the investing entity's funds. Nothing in this subsection  
 1-37 relieves the investing entity of the responsibility for monitoring  
 1-38 the investments made by the investing entity to determine that they  
 1-39 are in compliance with the investment policy. The qualified  
 1-40 representative of the business organization offering to engage in  
 1-41 an investment transaction with an investing entity shall execute a  
 1-42 written instrument in a form acceptable to the investing entity and  
 1-43 the business organization substantially to the effect that the  
 1-44 business organization has:

1-45 (1) received and reviewed the investment policy of the  
 1-46 entity; and

1-47 (2) acknowledged that the business organization has  
 1-48 implemented reasonable procedures and controls in an effort to  
 1-49 preclude investment transactions conducted between the entity and  
 1-50 the organization that are not authorized by the entity's investment  
 1-51 policy, except to the extent that this authorization:

1-52 (A) is dependent on an analysis of the makeup of  
 1-53 the entity's entire portfolio;

1-54 (B) ~~[or]~~ requires an interpretation of  
 1-55 subjective investment standards; or

1-56 (C) relates to investment transactions of the  
 1-57 entity that are not made through accounts or other contractual  
 1-58 arrangements over which the business organization has accepted  
 1-59 discretionary investment authority.

1-60 (1) The investment officer of an entity may not acquire or  
 1-61 otherwise obtain any authorized investment described in the

2-1 investment policy of the investing entity from a business  
2-2 organization that [~~person who~~] has not delivered to the entity the  
2-3 instrument required by Subsection (k).

2-4 SECTION 2. The changes in law made by this Act apply only to  
2-5 a contract for an investment transaction entered into with a  
2-6 business organization under Chapter 2256, Government Code, on or  
2-7 after the effective date of this Act. A contract entered into before  
2-8 the effective date of this Act is subject to the law in effect at the  
2-9 time the contract was entered into, and the former law is continued  
2-10 in effect for that purpose.

2-11 SECTION 3. This Act takes effect September 1, 2017.

2-12

\* \* \* \* \*