

SENATE BILL NO. 14—COMMITTEE ON COMMERCE AND LABOR

PREFILED JANUARY 8, 1999

Referred to Committee on Government Affairs

SUMMARY—Authorizes certain public entities to lend securities under certain circumstances.
(BDR 31-345)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~[omitted material]~~ is material to be omitted.

AN ACT relating to public investments; authorizing certain public entities to lend securities under certain circumstances; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE
AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** Chapter 355 of NRS is hereby amended by adding thereto a
2 new section to read as follows:
3 ***1. The governing body of a city or county whose population is***
4 ***100,000 or more may lend securities from its investment portfolio if:***
5 ***(a) The investment portfolio has a value of at least \$100,000,000;***
6 ***(b) The treasurer of the city or county:***
7 ***(1) Establishes a policy for investment that includes provisions***
8 ***which set forth the procedures to be used to lend securities pursuant to***
9 ***this section; and***
10 ***(2) Submits the policy established pursuant to subparagraph (1) to***
11 ***the city or county manager and prepares and submits to the city or***
12 ***county manager a monthly report that sets forth the securities that have***
13 ***been lent pursuant to this section and any other information relating***
14 ***thereto, including, without limitation, the terms of each agreement for***
15 ***the lending of those securities; and***
16 ***(c) The governing body receives collateral from the borrower in the***
17 ***form of cash or marketable securities that are:***

1 ***(1) Authorized pursuant to NRS 355.170, if the collateral is in the***
2 ***form of marketable securities; and***

3 ***(2) At least 102 percent of the value of the securities borrowed.***

4 ***2. The governing body of a city or county may enter into such***
5 ***contracts as are necessary to extend and manage loans pursuant to this***
6 ***section.***

7 ***3. Any investments made with collateral received pursuant to***
8 ***subsection 1 must mature not later than 90 days after the date on which***
9 ***the securities are lent.***

10 **Sec. 2.** NRS 355.167 is hereby amended to read as follows:

11 355.167 1. The local government pooled investment fund is hereby
12 created as an agency fund to be administered by the state treasurer.

13 2. Any local government, as defined in NRS 354.474, may deposit its
14 money with the state treasurer for credit to the fund for purposes of
15 investment.

16 3. The state treasurer may invest the money of the fund:

17 (a) In securities which have been authorized as investments for a local
18 government by any provision of NRS or any special law.

19 (b) In time certificates of deposit in the manner provided by NRS
20 356.015.

21 4. ***The state treasurer may lend securities in which he invests***
22 ***pursuant to subsection 3 or NRS 355.165 if he receives collateral from the***
23 ***borrower in the form of cash or marketable securities that are:***

24 ***(a) Acceptable to the state treasurer; and***

25 ***(b) At least 102 percent of the value of the securities borrowed.***

26 ***The state treasurer may enter into such contracts as are necessary to***
27 ***extend and manage loans pursuant to this subsection.***

28 5. Each local government ~~which~~ ***that*** elects to deposit money with the
29 state treasurer for such an investment must:

30 (a) Upon the deposit, inform him in writing how long a period the money
31 is expected to be available for investment.

32 (b) At the end of the period, notify him in writing whether it wishes to
33 extend the period.

34 ~~5.~~ 6. If a local government wishes to withdraw any of its money
35 before the end of the period of investment, it must make a written request to
36 the state treasurer. Whenever he is required to sell or liquidate invested
37 securities because of a request for early withdrawal, any penalties or loss of
38 interest incurred must be charged against the deposit of the local
39 government which requested the early withdrawal.

40 ~~6.~~ 7. All interest received on money of the fund must be deposited for
41 credit to the fund.

1 ~~[7:]~~ 8. The state treasurer may assess reasonable charges against the
2 fund for reimbursement of the expenses which he incurs in administering the
3 fund. The amount of the assessments must be transferred to an account
4 within the state general fund for use of the state treasurer in carrying out the
5 provisions of this section.

6 ~~[8:]~~ 9. At the end of each quarter of each fiscal year, the state treasurer
7 shall:

8 (a) Compute the proportion of the total deposits in the fund which were
9 attributable during the quarter to each local government;

10 (b) Apply that proportion to the total amount of interest received during
11 the quarter on invested money of the fund; and

12 (c) Pay to each participating local government or reinvest upon its
13 instructions its proportionate share of the interest, as computed pursuant to
14 paragraphs (a) and (b), less the proportionate amounts of the assessments
15 for the expenses of administration.

16 ~~[9:]~~ 10. The state treasurer may adopt reasonable regulations to carry
17 out the provisions of this section.

18 **Sec. 3.** NRS 355.172 is hereby amended to read as follows:

19 355.172 1. ~~[Any]~~ *Except as otherwise provided in section 1 of this*
20 *act, any* securities purchased as an investment of money by or on behalf of a
21 local government, as defined in NRS 354.474, must remain in the
22 possession of the county treasurer, the appropriate officer of that local
23 government or a bank, as provided in subsection 2, throughout the period of
24 the investment, except that any securities subject to repurchase by the seller
25 may be evidenced by a fully perfected, first-priority security interest, as
26 provided in subsection 3.

27 2. The county treasurer or the appropriate officer of a local government
28 may physically possess those securities, which must be in bearer form or
29 registered in the name of the local government, or may make an agreement,
30 in writing, with the trust department of any bank insured by the Federal
31 Deposit Insurance Corporation to hold those securities in trust for that local
32 government. If such an agreement is made, the trust department shall furnish
33 the county treasurer or the appropriate officer of the local government with
34 a written statement acknowledging that it is so holding the securities.

35 3. If the securities purchased are subject to an arrangement for the
36 repurchase of those securities by the seller thereof, the county treasurer, the
37 appropriate officer of the local government or a trust department of a bank,
38 as provided in subsection 2, may, in lieu of the requirement of possession,
39 obtain the sole, fully perfected, first-priority security interest in those
40 securities. If the trust department of a bank obtains such a security interest,
41 it shall furnish the county treasurer or the appropriate officer of the local

1 government with a written statement acknowledging that fact. Any securities
2 so purchased must, at the time of purchase by or for a local government,
3 have a fair market value equal to or greater than the repurchase price of the
4 securities.

5 **Sec. 4.** Chapter 319 of NRS is hereby amended by adding thereto a
6 new section to read as follows:

7 *1. The division may lend any securities in which it invests pursuant to*
8 *NRS 319.170 if the division receives collateral from the borrower in the*
9 *form of cash or marketable securities that are:*

10 *(a) Acceptable to the division; and*

11 *(b) At least 102 percent of the value of the securities borrowed.*

12 *2. The division may enter into such contracts as are necessary to*
13 *extend and manage loans pursuant to this section.*

14 **Sec. 5.** Chapter 349 of NRS is hereby amended by adding thereto a
15 new section to read as follows:

16 *1. The director may lend any securities in which he invests pursuant*
17 *to NRS 349.855 if he receives collateral from the borrower in the form of*
18 *cash or marketable securities that are:*

19 *(a) Acceptable to the director; and*

20 *(b) At least 102 percent of the value of the securities borrowed.*

21 *2. The director may enter into such contracts as are necessary to*
22 *extend and manage loans pursuant to this section.*