

ASSEMBLY BILL NO. 196—ASSEMBLYMEN SEAMAN,
FIORE, MOORE, JONES; AND SHELTON

FEBRUARY 26, 2015

Referred to Committee on Government Affairs

SUMMARY—Makes various changes relating to investments of
public money. (BDR 31-857)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: 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 financial administration; revising the
types of investments authorized to be made with money in
certain public funds; and providing other matters properly
relating thereto.

Legislative Counsel's Digest:

1 Existing law specifies the various types of investments that the State Treasurer
2 or a local government may make with money in certain funds. (NRS 355.060,
3 355.140, 355.170, 355.171) Existing law allows the money of this State, the State
4 Insurance Fund and the governing bodies of local governments to be used for
5 repurchase agreements if certain requirements are met to ensure that a repurchase
6 agreement does not violate Section 9 of Article 8 of the Nevada Constitution,
7 including that the security which is subject to the agreement is of a type that is legal
8 for the State or the local government to own and that ownership of the security
9 which is subject to the agreement must actually change hands. (NRS 355.140,
10 355.170) Existing law also prohibits the investment of money of this State or the
11 State Permanent School Fund, except for money invested by the Public Employees'
12 Retirement System, in reverse-repurchase agreements. (NRS 355.060, 355.140)

13 **Sections 1-3** of this bill authorize the investment of the money of this State, the
14 State Permanent School Fund, the State Insurance Fund and the governing bodies
15 of local governments in reverse-repurchase agreements if those agreements meet
16 certain requirements, which are similar to the requirements on repurchase
17 agreements, to avoid a violation of Section 3 of Article 9 of the Nevada
18 Constitution. **Sections 1-3** also impose additional requirements on reverse-
19 repurchase agreements which depend upon the purpose for which the reverse-
20 repurchase agreement is made.

21 **Section 2** allows investments of the money of this State and the State Insurance
22 Fund in: (1) any obligation or certificate of an instrumentality or agency of the
23 United States; (2) bonds of any general improvement district or local government
24 within this State; (3) notes, bonds and other unconditional obligations for the



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25 payment of money issued by certain corporations or depository institutions that are
26 rated by a nationally recognized rating service as "A-" or its equivalent; and (4) a
27 portfolio of investments that, in aggregate value, includes up to 25 percent, rather
28 than 20 percent, of notes, bonds or other unconditional obligations for the payment
29 of money issued by certain corporations or depository institutions. **Section 2** also
30 eliminates the prohibition against investing the money of this State or the State
31 Insurance Fund in a repurchase agreement which involves securities that have a
32 term to maturity at the time of purchase in excess of 10 years.

33 **Section 3** eliminates the requirement that, when the governing body of a local
34 government purchases commercial paper issued by certain corporations or
35 depository institutions as an investment of its money, the purchase must be made
36 from a registered broker-dealer. **Section 3** also eliminates the prohibition against
37 investing the money of the governing body of a local government in a repurchase
38 agreement which involves securities that have a term to maturity at the time of
39 purchase in excess of 10 years.

40 **Section 4** of this bill allows investments of certain money of boards of county
41 commissioners, boards of trustees of county school districts and the governing
42 bodies of incorporated cities in: (1) notes, bonds and other unconditional
43 obligations for the payment of money issued by certain corporations or depository
44 institutions that are rated by a nationally recognized rating service as "A-" or its
45 equivalent, or better; and (2) a portfolio of investments that, in aggregate value,
46 includes up to 25 percent, rather than 20 percent, of notes, bonds or other
47 unconditional obligations for the payment of money issued by certain corporations
48 or depository institutions.

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

1 **Section 1.** NRS 355.060 is hereby amended to read as follows:
2 355.060 1. The State Controller shall notify the State
3 Treasurer monthly of the amount of uninvested money in the State
4 Permanent School Fund.

5 2. Whenever there is a sufficient amount of money for
6 investment in the State Permanent School Fund, the State Treasurer
7 shall proceed to negotiate for the investment of the money in:

8 (a) United States bonds.

9 (b) Obligations or certificates of the Federal National Mortgage
10 Association, the Federal Home Loan Banks, the Federal Home Loan
11 Mortgage Corporation, the Federal Farm Credit Banks Funding
12 Corporation or the Student Loan Marketing Association, whether or
13 not guaranteed by the United States.

14 (c) Bonds of this state or of other states.

15 (d) Bonds of any county of the State of Nevada.

16 (e) United States treasury notes.

17 (f) Farm mortgage loans fully insured and guaranteed by the
18 Farm Service Agency of the United States Department of
19 Agriculture.

20 (g) Loans at a rate of interest of not less than 6 percent per
21 annum, secured by mortgage on agricultural lands in this state of not



1 less than three times the value of the amount loaned, exclusive of
2 perishable improvements, of unexceptional title and free from all
3 encumbrances.

4 (h) Money market mutual funds that:

5 (1) Are registered with the Securities and Exchange
6 Commission;

7 (2) Are rated by a nationally recognized rating service as
8 "AAA" or its equivalent; and

9 (3) Invest only in securities issued or guaranteed as to
10 payment of principal and interest by the Federal Government, or its
11 agencies or instrumentalities, or in repurchase agreements that are
12 fully collateralized by such securities.

13 (i) Common or preferred stock of a corporation created by or
14 existing under the laws of the United States or of a state, district or
15 territory of the United States, if:

16 (1) The stock of the corporation is:

17 (I) Listed on a national stock exchange; or

18 (II) Traded in the over-the-counter market, if the price
19 quotations for the over-the-counter stock are quoted by the National
20 Association of Securities Dealers Automated Quotations System
21 (NASDAQ);

22 (2) The outstanding shares of the corporation have a total
23 market value of not less than \$50,000,000;

24 (3) The maximum investment in stock is not greater than 50
25 percent of the book value of the total investments of the State
26 Permanent School Fund;

27 (4) Except for investments made pursuant to paragraph (k),
28 the amount of an investment in a single corporation is not greater
29 than 3 percent of the book value of the assets of the State Permanent
30 School Fund; and

31 (5) Except for investments made pursuant to paragraph (k),
32 the total amount of shares owned by the State Permanent School
33 Fund is not greater than 5 percent of the outstanding stock of a
34 single corporation.

35 (j) A pooled or commingled real estate fund or a real estate
36 security that is managed by a corporate trustee or by an investment
37 advisory firm that is registered with the Securities and Exchange
38 Commission, either of which may be retained by the State Treasurer
39 as an investment manager. The shares and the pooled or
40 commingled fund must be held in trust. The total book value of an
41 investment made under this paragraph must not at any time be
42 greater than 5 percent of the total book value of all investments of
43 the State Permanent School Fund.



(k) Mutual funds or common trust funds that consist of any combination of the investments listed in paragraphs (a) to (j), inclusive.

(l) The limited partnerships or limited-liability companies described in NRS 355.280.

3. The State Treasurer shall not invest any money in the State Permanent School Fund pursuant to paragraph (i), (j) or (k) of subsection 2 unless the State Treasurer obtains a judicial determination that the proposed investment or category of investments will not violate the provisions of Section 9 of Article 8 of the Constitution of the State of Nevada. The State Treasurer shall contract for the services of independent contractors to manage any investments of the State Treasurer made pursuant to paragraph (i), (j) or (k) of subsection 2. The State Treasurer shall establish such criteria for the qualifications of such an independent contractor as are appropriate to ensure that each independent contractor has expertise in the management of such investments.

4. In addition to the investments authorized by subsection 2, the State Treasurer may make loans of money from the State Permanent School Fund to school districts pursuant to NRS 387.526.

5. ~~No part of the State Permanent School Fund may be invested pursuant to a reverse-repurchase agreement.~~ *Reverse-repurchase agreements are proper and lawful investments of money of the State Permanent School Fund for the purchase or sale of securities which are negotiable and of the types listed in subsection 2 if made in accordance with the following conditions:*

(a) In all reverse-repurchase agreements:

(1) At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of an appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian; and

(2) The State must enter into a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:

(I) Disburse cash for reverse-repurchase agreements only upon receipt of the underlying securities; and

(II) Hold the securities separate from the assets of the custodian.

(b) If a reverse-repurchase agreement is made for the purpose of:

(1) Obtaining liquidity for the State Permanent School Fund, the State Treasurer shall obligate for the repurchase of the security that is subject to the reverse-repurchase agreement



1 *another security held by the State Permanent School Fund which*
2 *is valued at an amount equal to the amount due for repurchase*
3 *and which matures on a date within 2 weeks before or after the*
4 *date on which the reverse-repurchase agreement ends.*

5 (2) *Acquiring additional investments, the State Treasurer*
6 *shall invest the proceeds in securities which mature on a date*
7 *within 2 weeks before or after the date on which the reverse-*
8 *repurchase agreement ends.*

9 6. *As used in this section:*

10 (a) *“Counterparty” means a bank organized and operating or*
11 *licensed to operate in the United States pursuant to federal or state*
12 *law or a securities dealer which is:*

13 (1) *A registered broker-dealer;*

14 (2) *Designated by the Federal Reserve Bank of New York*
15 *as a “primary” dealer in United States government securities; and*

16 (3) *In full compliance with all applicable capital*
17 *requirements.*

18 (b) *“Reverse-repurchase agreement” means a purchase of*
19 *securities by a counterparty from the State which commits to*
20 *repurchase those securities or securities of the same issuer,*
21 *description, issue date and maturity on or before a specified date*
22 *for a specified price.*

23 **Sec. 2.** NRS 355.140 is hereby amended to read as follows:

24 355.140 1. In addition to other investments provided for by a
25 specific statute, the following bonds and other securities are proper
26 and lawful investments of any of the money of this state, of its
27 various departments, institutions and agencies, and of the State
28 Insurance Fund:

29 (a) Bonds and certificates of the United States;

30 (b) Bonds, notes, debentures and loans if they are underwritten
31 by or their payment is guaranteed by the United States;

32 (c) Obligations or certificates of the United States Postal
33 Service, the Federal National Mortgage Association, the
34 Government National Mortgage Association, the Federal
35 Agricultural Mortgage Corporation, the Federal Home Loan Banks,
36 the Federal Home Loan Mortgage Corporation, ~~the~~ the Student
37 Loan Marketing Association ~~or~~ *or other instrumentality or agency*
38 *of the United States*, whether or not guaranteed by the United
39 States;

40 (d) Bonds of this state or other states of the Union;

41 (e) Bonds of any county of this state or of other states;

42 (f) Bonds of incorporated cities in this state or in other states of
43 the Union, including special assessment district bonds if those bonds
44 provide that any deficiencies in the proceeds to pay the bonds are to
45 be paid from the general fund of the incorporated city;



(g) General obligation bonds of irrigation districts and drainage districts in this state which are liens upon the property within those districts, if the value of the property is found by the board or commission making the investments to render the bonds financially sound over all other obligations of the districts;

(h) Bonds of school districts within this state;

(i) Bonds of any general improvement district ; ~~whose population is 200,000 or more and which is situated in two or more counties of this state or of any other state, if:~~

~~(1) The bonds are general obligation bonds and constitute a lien upon the property within the district which is subject to taxation; and~~

~~(2) That property is of an assessed valuation of not less than five times the amount of the bonded indebtedness of the district;~~

(j) Medium-term obligations for counties, cities and school districts authorized pursuant to chapter 350 of NRS;

(k) Loans bearing interest at a rate determined by the State Board of Finance when secured by first mortgages on agricultural lands in this state of not less than three times the value of the amount loaned, exclusive of perishable improvements, and of unexceptional title and free from all encumbrances;

(l) Farm loan bonds, consolidated farm loan bonds, debentures, consolidated debentures and other obligations issued by federal land banks and federal intermediate credit banks under the authority of the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012, inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds, debentures, consolidated debentures and other obligations issued by banks for cooperatives under the authority of the Farm Credit Act of 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, excluding such money thereof as has been received or which may be received hereafter from the Federal Government or received pursuant to some federal law which governs the investment thereof;

(m) Negotiable certificates of deposit issued by commercial banks, insured credit unions or savings and loan associations;

(n) Bankers' acceptances of the kind and maturities made eligible by law for rediscount with Federal Reserve banks or trust companies which are members of the Federal Reserve System, except that acceptances may not exceed 180 days' maturity, and may not, in aggregate value, exceed 20 percent of the total par value of the portfolio as determined on the date of purchase;

(o) Commercial paper issued by a corporation organized and operating in the United States or by a depository institution licensed



1 by the United States or any state and operating in the United States
2 that:

3 (1) At the time of purchase has a remaining term to maturity
4 of not more than 270 days; and

5 (2) Is rated by a nationally recognized rating service as
6 “A-1,” “P-1” or its equivalent, or better,

7 ↪ except that investments pursuant to this paragraph may not, in
8 aggregate value, exceed 20 percent of the total par value of the
9 portfolio as determined on the date of purchase, and if the rating of
10 an obligation is reduced to a level that does not meet the
11 requirements of this paragraph, it must be sold as soon as possible;

12 (p) Notes, bonds and other unconditional obligations for the
13 payment of money, except certificates of deposit that do not qualify
14 pursuant to paragraph (m), issued by corporations organized and
15 operating in the United States or by depository institutions licensed
16 by the United States or any state and operating in the United States
17 that:

18 (1) Are purchased from a registered broker-dealer;

19 (2) At the time of purchase have a remaining term to
20 maturity of not more than 5 years; and

21 (3) Are rated by a nationally recognized rating service as
22 ~~“A-1”~~ “A-” or its equivalent, or better,

23 ↪ except that investments pursuant to this paragraph may not, in
24 aggregate value, exceed ~~20~~ 25 percent of the total par value of the
25 portfolio, and if the rating of an obligation is reduced to a level that
26 does not meet the requirements of this paragraph, it must be sold as
27 soon as possible;

28 (q) Money market mutual funds which:

29 (1) Are registered with the Securities and Exchange
30 Commission;

31 (2) Are rated by a nationally recognized rating service as
32 “AAA” or its equivalent; and

33 (3) Invest only in securities issued by the Federal
34 Government or agencies of the Federal Government or in repurchase
35 agreements fully collateralized by such securities;

36 (r) Collateralized mortgage obligations that are rated by a
37 nationally recognized rating service as “AAA” or its equivalent; and

38 (s) Asset-backed securities that are rated by a nationally
39 recognized rating service as “AAA” or its equivalent.

40 2. Repurchase agreements are proper and lawful investments of
41 money of the State and the State Insurance Fund for the purchase or
42 sale of securities which are negotiable and of the types listed in
43 subsection 1 if made in accordance with the following conditions:

44 (a) The State Treasurer shall designate in advance and thereafter
45 maintain a list of qualified counterparties which:



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(1) Regularly provide audited and, if available, unaudited financial statements to the State Treasurer;

(2) The State Treasurer has determined to have adequate capitalization and earnings and appropriate assets to be highly credit worthy; and

(3) Have executed a written master repurchase agreement in a form satisfactory to the State Treasurer and the State Board of Finance pursuant to which all repurchase agreements are entered into. The master repurchase agreement must require the prompt delivery to the State Treasurer and the appointed custodian of written confirmations of all transactions conducted thereunder, and must be developed giving consideration to the Federal Bankruptcy Act, 11 U.S.C. §§ 101 et seq.

(b) In all repurchase agreements:

(1) At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of the appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian;

(2) The State must enter into a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:

(I) Disburse cash for repurchase agreements only upon receipt of the underlying securities;

(II) Notify the State when the securities are marked to the market if the required margin on the agreement is not maintained;

(III) Hold the securities separate from the assets of the custodian; and

(IV) Report periodically to the State concerning the market value of the securities;

(3) The market value of the purchased securities must exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly; *and*

(4) The date on which the securities are to be repurchased must not be more than 90 days after the date of purchase. ~~}; and~~

~~— (5) The purchased securities must not have a term to maturity at the time of purchase in excess of 10 years. }~~

3. *Reverse-repurchase agreements are proper and lawful investments of money of the State and the State Insurance Fund for the purchase or sale of securities which are negotiable and of the types listed in subsection 1 if made in accordance with the following conditions:*

(a) *In all reverse-repurchase agreements:*



(1) *At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of an appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian; and*

(2) *The State must enter into a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:*

(I) *Disburse cash for reverse-repurchase agreements only upon receipt of the underlying securities; and*

(II) *Hold the securities separate from the assets of the custodian.*

(b) *If a reverse-repurchase agreement is made for the purpose of:*

(1) *Obtaining liquidity for the State or the State Insurance Fund, the State Treasurer shall obligate for the repurchase of the security that is subject to the reverse-repurchase agreement another security held by the State or the State Insurance Fund, as applicable, which is valued at an amount equal to the amount due for repurchase and which matures on a date within 2 weeks before or after the date on which the reverse-repurchase agreement ends.*

(2) *Acquiring additional investments, the State Treasurer shall invest the proceeds in securities which mature on a date within 2 weeks before or after the date on which the reverse-repurchase agreement ends.*

4. As used in ~~subsection 2-;~~ *this section:*

(a) "Counterparty" means a bank organized and operating or licensed to operate in the United States pursuant to federal or state law or a securities dealer which is:

(1) A registered broker-dealer;

(2) Designated by the Federal Reserve Bank of New York as a "primary" dealer in United States government securities; and

(3) In full compliance with all applicable capital requirements.

(b) "Repurchase agreement" means a purchase of securities by the State or State Insurance Fund from a counterparty which commits to repurchase those securities or securities of the same issuer, description, issue date and maturity on or before a specified date for a specified price.

~~[4. No money of this state may be invested pursuant to a reverse repurchase agreement, except money invested pursuant to chapter 286 of NRS.]~~

(c) *"Reverse-repurchase agreement" means a purchase of securities by a counterparty from the State or State Insurance Fund which commits to repurchase those securities or securities*



of the same issuer, description, issue date and maturity on or before a specified date for a specified price.

Sec. 3. NRS 355.170 is hereby amended to read as follows:

355.170 1. Except as otherwise provided in this section and NRS 354.750 and 355.171, the governing body of a local government may purchase for investment the following securities and no others:

(a) Bonds and debentures of the United States, the maturity dates of which do not extend more than 10 years after the date of purchase.

(b) Farm loan bonds, consolidated farm loan bonds, debentures, consolidated debentures and other obligations issued by federal land banks and federal intermediate credit banks under the authority of the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012, inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds, debentures, consolidated debentures and other obligations issued by banks for cooperatives under the authority of the Farm Credit Act of 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive.

(c) Bills and notes of the United States Treasury, the maturity date of which is not more than 10 years after the date of purchase.

(d) Obligations of an agency or instrumentality of the United States of America or a corporation sponsored by the government, the maturity date of which is not more than 10 years after the date of purchase.

(e) Negotiable certificates of deposit issued by commercial banks, insured credit unions or savings and loan associations.

(f) Securities which have been expressly authorized as investments for local governments by any provision of Nevada Revised Statutes or by any special law.

(g) Nonnegotiable certificates of deposit issued by insured commercial banks, insured credit unions or insured savings and loan associations, except certificates that are not within the limits of insurance provided by an instrumentality of the United States, unless those certificates are collateralized in the same manner as is required for uninsured deposits by a county treasurer pursuant to NRS 356.133. For the purposes of this paragraph, any reference in NRS 356.133 to a "county treasurer" or "board of county commissioners" shall be deemed to refer to the appropriate financial officer or governing body of the local government purchasing the certificates.

(h) Subject to the limitations contained in NRS 355.177, negotiable notes medium-term obligations issued by local



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1 governments of the State of Nevada pursuant to NRS 350.087 to
2 350.095, inclusive.

3 (i) Bankers' acceptances of the kind and maturities made
4 eligible by law for rediscount with Federal Reserve Banks, and
5 generally accepted by banks or trust companies which are members
6 of the Federal Reserve System. Eligible bankers' acceptances may
7 not exceed 180 days' maturity. Purchases of bankers' acceptances
8 may not exceed 20 percent of the money available to a local
9 government for investment as determined on the date of purchase.

10 (j) Obligations of state and local governments if:

11 (1) The interest on the obligation is exempt from gross
12 income for federal income tax purposes; and

13 (2) The obligation has been rated "A" or higher by one or
14 more nationally recognized bond credit rating agencies.

15 (k) Commercial paper issued by a corporation organized and
16 operating in the United States or by a depository institution licensed
17 by the United States or any state and operating in the United States
18 that:

19 (1) ~~Has purchased from a registered broker-dealer;~~

20 ~~—(2)~~ At the time of purchase has a remaining term to maturity
21 of no more than 270 days; and

22 ~~(3)~~ (2) Is rated by a nationally recognized rating service as
23 "A-1," "P-1" or its equivalent, or better,

24 except that investments pursuant to this paragraph may not, in
25 aggregate value, exceed 20 percent of the total portfolio as
26 determined on the date of purchase, and if the rating of an obligation
27 is reduced to a level that does not meet the requirements of this
28 paragraph, it must be sold as soon as possible.

29 (l) Money market mutual funds which:

30 (1) Are registered with the Securities and Exchange
31 Commission;

32 (2) Are rated by a nationally recognized rating service as
33 "AAA" or its equivalent; and

34 (3) Invest only in:

35 (I) Securities issued by the Federal Government or
36 agencies of the Federal Government;

37 (II) Master notes, bank notes or other short-term
38 commercial paper rated by a nationally recognized rating service as
39 "A-1," "P-1" or its equivalent, or better, issued by a corporation
40 organized and operating in the United States or by a depository
41 institution licensed by the United States or any state and operating in
42 the United States; or

43 (III) Repurchase agreements that are fully collateralized
44 by the obligations described in sub-subparagraphs (I) and (II).



(m) Obligations of the Federal Agricultural Mortgage Corporation.

2. Repurchase agreements are proper and lawful investments of money of a governing body of a local government for the purchase or sale of securities which are negotiable and of the types listed in subsection 1 if made in accordance with the following conditions:

(a) The governing body of the local government shall designate in advance and thereafter maintain a list of qualified counterparties which:

(1) Regularly provide audited and, if available, unaudited financial statements;

(2) The governing body of the local government has determined to have adequate capitalization and earnings and appropriate assets to be highly creditworthy; and

(3) Have executed a written master repurchase agreement in a form satisfactory to the governing body of the local government pursuant to which all repurchase agreements are entered into. The master repurchase agreement must require the prompt delivery to the governing body of the local government and the appointed custodian of written confirmations of all transactions conducted thereunder, and must be developed giving consideration to the Federal Bankruptcy Act.

(b) In all repurchase agreements:

(1) At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of the appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian;

(2) The governing body of the local government must enter a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:

(I) Disburse cash for repurchase agreements only upon receipt of the underlying securities;

(II) Notify the governing body of the local government when the securities are marked to the market if the required margin on the agreement is not maintained;

(III) Hold the securities separate from the assets of the custodian; and

(IV) Report periodically to the governing body of the local government concerning the market value of the securities;

(3) The market value of the purchased securities must exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly; *and*



(4) The date on which the securities are to be repurchased must not be more than 90 days after the date of purchase. ~~†; and~~
~~— (5) The purchased securities must not have a term to maturity at the time of purchase in excess of 10 years.†~~

3. *Reverse-repurchase agreements are proper and lawful investments of money of the governing body of a local government for the purchase or sale of securities which are negotiable and of the types listed in subsection 1 if made in accordance with the following conditions:*

(a) *In all reverse-repurchase agreements:*

(1) *At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of an appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian; and*

(2) *The governing body of the local government must enter into a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:*

(I) *Disburse cash for reverse-repurchase agreements only upon receipt of the underlying securities; and*

(II) *Hold the securities separate from the assets of the custodian.*

(b) *If a reverse-repurchase agreement is made for the purpose of:*

(1) *Obtaining liquidity for a local government, the governing body of the local government shall obligate for the repurchase of the security that is subject to the reverse-repurchase agreement another security held by the local government which is valued at an amount equal to the amount due for repurchase and which matures on a date within 2 weeks before or after the date on which the reverse-repurchase agreement ends.*

(2) *Acquiring additional investments, the governing body of the local government shall invest the proceeds in securities which mature on a date within 2 weeks before or after the date on which the reverse-repurchase agreement ends.*

4. The securities described in paragraphs (a), (b) and (c) of subsection 1, ~~†and†~~ the repurchase agreements described in subsection 2 *and the reverse-repurchase agreements described in subsection 3* may be purchased when, in the opinion of the governing body of the local government, there is sufficient money in any fund of the local government to purchase those securities and the purchase will not result in the impairment of the fund for the purposes for which it was created.

~~†4.†~~ 5. When the governing body of the local government has determined that there is available money in any fund or funds for the



1 purchase of bonds as set out in subsection 1 , ~~for~~ 2 ~~or~~ 3, those
2 purchases may be made and the bonds paid for out of any one or
3 more of the funds, but the bonds must be credited to the funds in the
4 amounts purchased, and the money received from the redemption of
5 the bonds, as and when redeemed, must go back into the fund or
6 funds from which the purchase money was taken originally.

7 ~~5-1~~ 6. Any interest earned on money invested pursuant to
8 subsection ~~3-1~~ 4 may, at the discretion of the governing body of the
9 local government, be credited to the fund from which the principal
10 was taken or to the general fund of the local government.

11 ~~6-1~~ 7. The governing body of a local government may invest
12 any money apportioned into funds and not invested pursuant to
13 subsection ~~3-1~~ 4 and any money not apportioned into funds in bills
14 and notes of the United States Treasury, the maturity date of which
15 is not more than 1 year after the date of investment. These
16 investments must be considered as cash for accounting purposes,
17 and all the interest earned on them must be credited to the general
18 fund of the local government.

19 ~~7-1~~ 8. This section does not authorize the investment of
20 money administered pursuant to a contract, debenture agreement or
21 grant in a manner not authorized by the terms of the contract,
22 agreement or grant.

23 ~~8-1~~ 9. As used in this section:

24 (a) "Counterparty" means a bank organized and operating or
25 licensed to operate in the United States pursuant to federal or state
26 law or a securities dealer which is:

27 (1) A registered broker-dealer;

28 (2) Designated by the Federal Reserve Bank of New York as
29 a "primary" dealer in United States government securities; and

30 (3) In full compliance with all applicable capital
31 requirements.

32 (b) "Local government" has the meaning ascribed to it in
33 NRS 354.474.

34 (c) "Repurchase agreement" means a purchase of securities by
35 the governing body of a local government from a counterparty
36 which commits to repurchase those securities or securities of the
37 same issuer, description, issue date and maturity on or before a
38 specified date for a specified price.

39 (d) *"Reverse-repurchase agreement" means a purchase of*
40 *securities by a counterparty from the governing body of a local*
41 *government which commits to repurchase those securities or*
42 *securities of the same issuer, description, issue date and maturity*
43 *on or before a specified date for a specified price.*



Sec. 4. NRS 355.171 is hereby amended to read as follows:

355.171 1. Except as otherwise provided in this section, a board of county commissioners, a board of trustees of a county school district or the governing body of an incorporated city may purchase for investment:

(a) Notes, bonds and other unconditional obligations for the payment of money issued by corporations organized and operating in the United States *or by depository institutions licensed by the United States or any state and operating in the United States* that:

(1) Are purchased from a registered broker-dealer;

(2) At the time of purchase have a remaining term to maturity of no more than 5 years; and

(3) Are rated by a nationally recognized rating service as ~~“A”~~ *“A-”* or its equivalent, or better.

(b) Collateralized mortgage obligations that are rated by a nationally recognized rating service as “AAA” or its equivalent.

(c) Asset-backed securities that are rated by a nationally recognized rating service as “AAA” or its equivalent.

2. With respect to investments purchased pursuant to paragraph (a) of subsection 1:

(a) Such investments must not, in aggregate value, exceed ~~120~~ *25* percent of the total portfolio as determined on the date of purchase;

(b) Not more than 25 percent of such investments may be in notes, bonds and other unconditional obligations issued by any one corporation; and

(c) If the rating of an obligation is reduced to a level that does not meet the requirements of that paragraph, the obligation must be sold as soon as possible.

3. Subsections 1 and 2 do not:

(a) Apply to a:

(1) Board of county commissioners of a county whose population is less than 100,000;

(2) Board of trustees of a county school district in a county whose population is less than 100,000; or

(3) Governing body of an incorporated city whose population is less than 150,000,

↳ unless the purchase is effected by the State Treasurer pursuant to his or her investment of a pool of money from local governments or by an investment adviser who is registered with the Securities and Exchange Commission and approved by the State Board of Finance.

(b) Authorize the investment of money administered pursuant to a contract, debenture agreement or grant in a manner not authorized by the terms of the contract, agreement or grant.



1 **Sec. 5.** NRS 355.175 is hereby amended to read as follows:
2 355.175 1. The governing body of any local government or
3 agency, whether or not it is included in the provisions of chapter 354
4 of NRS, may:
5 (a) Direct its treasurer or other appropriate officer to invest its
6 money or any part thereof in any investment which is lawful for a
7 local government pursuant to NRS 355.170; or
8 (b) Allow a county treasurer to make such investments through a
9 pool as provided in NRS 355.168.
10 2. In case of conflict, any order made pursuant to paragraph (a)
11 of subsection 1 takes precedence over any other order concerning
12 the same money or funds pursuant to subsection ~~15~~ 6 of
13 NRS 355.170.
14 3. Any interest earned from investments made pursuant to this
15 section must be credited, at the discretion of the local governing
16 unit, to any fund under its control, but the designation of the fund
17 must be made at the time of investment of the principal.

