
DIGEST

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HB 284 Engrossed

2021 Regular Session

Illg

Abstract: Provides requirements and prohibitions on securities lending contracts entered into by the treasurer.

Present law authorizes the treasurer to engage in securities lending and to engage one or more financial institutions to act as securities lending agents for the state. Proposed law retains present law and further defines the term "securities lending" for the purposes of present and proposed law to mean a contract by which securities are supplied to a securities lending agent for a fee and secured by a pledge of collateral with a value equal to or greater than the securities supplied. Defines the term "securities lending agent" for the purposes of present and proposed law to mean a bank or a registered securities broker-dealer.

Present law requires a securities lending agent to indemnify the state for any losses resulting from the default of a borrower. Proposed law requires indemnification for losses resulting from the insolvency of a borrower. Further requires such indemnification to be in writing and contained in the securities lending contract between the state and the securities lending agent.

Present law requires the borrower to provide collateral. Authorizes the collateral to be in the form of cash, which may be invested in securities authorized under present law for the investment of monies on deposit in the state treasury (R.S. 49:327(B)) or in securities authorized for investments pursuant to present law for investment of monies on deposit in the state treasury (R.S. 49:327(B)). Proposed law retains present law and further authorizes investment of cash collateral in securities authorized for investment under present law for the La. Education Quality Trust Fund (R.S. 17:3803) or acceptance as collateral of securities authorized for investment pursuant to present law for the La. Education Quality Trust Fund (R.S. 17:3803).

Present law requires a borrower to provide collateral with a value equal to or greater than 102% of the market value of the securities lent by the state, plus any accrued interest. Proposed law retains present law with respect to securities pledged as collateral for a securities lending transaction. Further lowers the collateral value that must be maintained for cash collateral from 102% of the total market value of the securities lent, plus accrued interest to 100% of the total market value of the securities lent, plus accrued interest.

Proposed law further provides that if the market value of any securities pledged as collateral falls below 100% of the total market value plus accrued interest of the securities on loan, the borrower must submit additional collateral sufficient to bring the total value of pledged collateral equal to or greater than 102% percent of the total market value of the securities on loan plus any accrued

interest.

Proposed law requires the securities lending agent, or the custodian of the collateral securities and the custodian of the securities on loan, to determine the market value of the collateral securities and the securities on loan each business day and report these market values to the treasurer.

(Amends R.S. 49:321.1)