

RÉSUMÉ DIGEST

ACT 376 (HB 284)

2021 Regular Session

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Existing law authorizes the treasurer to engage in securities lending and to contract with one or more financial institutions to act as securities lending agents for the state. New law defines the term "securities lending" for the purposes of existing and new 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 existing and new law to mean a bank or a registered securities broker-dealer.

Prior law required a securities lending agent to indemnify the state for any losses resulting from the default of a borrower. New 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.

Existing 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 existing 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 existing law for investment of monies on deposit in the state treasury (R.S. 49:327(B)). New law further authorizes investment of cash collateral in securities authorized for investment under existing law for the La. Education Quality Trust Fund (R.S. 17:3803) or acceptance as collateral of securities authorized for investment pursuant to existing law for the La. Education Quality Trust Fund (R.S. 17:3803).

With respect to securities pledged as collateral for a securities lending transaction, existing 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. Prior law also applied this 102%-of-market-value-plus-accrued-interest requirement to cash collateral for a securities lending agreement. New law lowers this requirement 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.

New 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.

New 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.

Effective August 1, 2021.

(Amends R.S. 49:321.1)