

2020 Regular Session

HOUSE BILL NO. 634

BY REPRESENTATIVE HUVAL

BANKS/BANKING: Provides relative to security for deposits required by certain entities

1 AN ACT

2 To amend and reenact R.S. 39:1221 and 1242(A)(4) and to enact R.S. 39:1242(E), relative
3 to security for local deposits; to provide for kinds of security for local deposits; to
4 remove certain restrictions on bank collateral for local funds; and to provide for
5 related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 39:1221 and 1242(A)(4) are hereby amended and reenacted and R.S.
8 39:1242(E) is hereby enacted to read as follows:

9 §1221. Security for deposits; kinds

10 A. Local depositing authorities shall require as security for deposits:

11 (1) Bonds or other interest-bearing securities of the United States, or any
12 agency thereof, including but not limited to the Federal National Mortgage
13 Association, or bonds or other interest-bearing obligations guaranteed fully or
14 partially as to principal and interest by the United States, or by any agency thereof;
15 or bonds of any possession of the United States; or unmatured bonds of this state,
16 including both direct and indirect obligations and also, including bonds or other
17 interest-bearing obligations, whether supported by revenue or by the avails of taxes,
18 of the State of Louisiana or of any agency, board, commission, department or
19 division thereof or of any agency, public corporation or authority created by or
20 recognized by the State of Louisiana; or unmatured bonds of any parish,

1 municipality, levee board, road district, school board or school district of this state;
2 or bonds of any parish, municipality, industrial district or industrial board which are
3 secured by a lease executed in accordance with the provisions of Article XIV,
4 Section 14, Paragraphs b.2 or b.3 of the Constitution of the State of Louisiana for the
5 year 1921 or R.S. 39:1001 et seq. or R.S. 51:1151 et seq., as amended, and partially
6 or fully guaranteed by the Louisiana Board of Commerce and Industry in accordance
7 with the provisions of the Bond Lease Guarantee Act of the regular session of the
8 Louisiana Legislature of 1968.

9 (2) Certificates of indebtedness, including paving certificates, of any
10 subdivision of this state referred to in Paragraph (1) of this Section.

11 (3) Promissory notes either of the authority letting the deposits or of any
12 other authority referred to in Paragraph (1) of this Section, which notes must be
13 either unmatured or payable on demand.

14 (4) Evidence of participation in such promissory notes issued by any bank,
15 trust company, or recognized bank clearing house association domiciled in this state.

16 (5) Notes representing loans to students which are guaranteed by the
17 Louisiana Higher Education Assistance Commission in accordance with a contract
18 agreement between the lender and the commission under the provisions of R.S.
19 17:3021 et seq.

20 (6) Deposit guaranty bonds underwritten and guaranteed by an insurance
21 company, licensed to do business in this state, listed as an approved surety by the
22 United States Department of the Treasury, that provide coverage for deposits of
23 depositing authorities in excess of the amounts insured by the Federal Deposit
24 Insurance Corporation or any other governmental agency insuring bank or other
25 financial institution deposits that is organized under the laws of the United States,
26 and the form and content of which are approved in advance by the state treasurer.

27 (7) Notwithstanding any other law to the contrary, any obligation, security,
28 or investment that a political subdivision of the state may invest in directly as
29 provided in R.S. 33:2955, except as provided in Subsection B of this Section.

1 (8) Letters of credit issued by the Federal Home Loan Bank as authorized by
2 R.S. 6:318 or 748.1.

3 (9) Any recognized system or program providing Federal Deposit Insurance
4 Corporation insurance coverage as authorized by R.S. 6:319.

5 (10) Bonds, debentures, notes, or other indebtedness issued by a state of the
6 United States of America other than Louisiana or any such state's political
7 subdivisions provided that the indebtedness has a long-term rating of A3 or higher
8 by Moody's Investors Service, a long-term rating of A- or higher by Standard &
9 Poor's or a long-term rating of A- or higher by Fitch, Inc., or a short-term rating of
10 M1G1 or VM1G1 by Moody's Investors Service, a short-term rating of A-1 or A-1+
11 by Standard & Poor's, or a short-term rating of F1 or F1+ by Fitch, Inc.

12 (11) Bonds, debentures, notes, or other indebtedness issued by domestic
13 United States corporations provided that the indebtedness has a long-term rating of
14 Aa3 or higher by Moody's Investors Service, a long-term rating of AA- or higher by
15 Standard & Poor's, or a long-term rating of AA- or higher by Fitch Ratings, Inc.

16 B. Notwithstanding any other law to the contrary, there shall be no limitation
17 or restriction on the duration of the bonds, debentures, notes, or other indebtedness
18 used as security for deposits under this Section.

19 * * *

20 §1242. Security for deposits

21 A. The commissioner of public finance, or the finance officer of cities
22 having a population exceeding one hundred fifty thousand, or any department, board,
23 commission, or institution thereof, shall require as security for deposits belonging
24 to and held in their custody:

25 * * *

26 (4) Notwithstanding any other law to the contrary, any obligation, security,
27 or investment that a municipality may invest in directly as provided in R.S. 33:2955,
28 except as provided in Subsection E of this Section.

29 * * *

- 1 E. Notwithstanding any other law to the contrary, there shall be no limitation
 2 or restriction on the duration of the bonds, debentures, notes, or other indebtedness
 3 used as security for deposits under this Section.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 634 Original

2020 Regular Session

Huval

Abstract: Removes the maturity date restrictions on securities that banks pledge to secure local public funds.

Present law requires a bank to provide security for deposits made by a political subdivision of the state. Specifies acceptable securities.

Proposed law authorizes the following additional forms of security for such deposits:

- (1) Bonds, debentures, notes, or other indebtedness issued by a state of the United States of America other than Louisiana or any such state's political subdivisions provided that the indebtedness has a long-term rating of A3 or higher by Moody's Investors Service, a long-term rating of A- or higher by Standard & Poor's or a long-term rating of A- or higher by Fitch, Inc., or a short-term rating of M1G1 or VM1G1 by Moody's Investors Service, a short-term rating of A-1 or A-1+ by Standard & Poor's, or a short-term rating of F1 or F1+ by Fitch, Inc.
- (2) Bonds, debentures, notes, or other indebtedness issued by domestic United States corporations provided that the indebtedness has a long-term rating of Aa3 or higher by Moody's Investors Service, a long-term rating of AA- or higher by Standard & Poor's, or a long-term rating of AA- or higher by Fitch Ratings, Inc.

Proposed law also provides that no provision of law limits or restricts the duration of bonds, debentures, notes, or other indebtedness that are used a security for deposits or investments made by a political subdivision.

(Amends R.S. 39:1221 and 1242(A)(4); Adds R.S. 39:1242(E))