

2021 Regular Session

HOUSE BILL NO. 284

BY REPRESENTATIVE ILLG

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

TREASURER: Provides relative to securities lending

1 AN ACT

2 To amend and reenact R.S. 49:321.1, relative to securities lending; to provide requirements  
3 and prohibitions for securities lending contracts involving securities from state  
4 funds; to provide with respect to the authority of the treasurer; and to provide for  
5 related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 49:321.1 is hereby amended and reenacted to read as follows:

8 §321.1. Treasury securities lending

9 A. Notwithstanding any provision of law to the contrary, the treasurer may  
10 engage in securities lending and may engage one or more financial institutions to act  
11 as securities lending agents for the state. For the purposes of this Section, the term  
12 "securities lending" shall mean a contract by which securities are supplied to a  
13 securities lending agent for a fee and secured by a pledge of collateral with a value  
14 equal to or greater than the securities supplied and the term "securities lending agent"  
15 shall mean a bank or a registered securities broker-dealer.

16 B. Each securities lending agent shall indemnify the state for any losses  
17 resulting from the insolvency of a borrower. Such indemnification shall be in  
18 writing and contained in the securities lending contract.

1           ~~C. In the event of securities lending from any funds administered by the state~~  
2           ~~treasury, all of the~~ If securities from any fund administered by the state treasury are  
3           used for securities lending, all of the following requirements shall be met:

4           (1) The collateral for the securities lending contract shall be in the form of  
5           either cash or securities.

6           (a) If the borrower provides cash as collateral, the contract between the  
7           borrower and the securities lending agent shall require the following:

8           (i) The funds pledged as collateral to be in United States currency.

9           (ii) The borrower to maintain the total value of all pledged collateral at an  
10           amount equal to or greater than one hundred percent of the total market value of the  
11           securities on loan from the state for the transaction, plus any accrued interest.

12           (b) If the borrower provides securities as collateral, the contract between the  
13           borrower and the securities lending agent shall require the following:

14           (i) The total value of the initial collateral pledged for the loan to be at least  
15           equal to one hundred and two percent of the total market value of the securities on  
16           loan from the state for the transaction.

17           (ii) If after the initial pledge of collateral the total market value of securities  
18           pledged as collateral falls below one hundred percent of the total market value of the  
19           securities on loan from the state for the transaction, plus accrued interest, the  
20           borrower shall transfer additional collateral sufficient to bring the total value of  
21           pledged collateral to at least one hundred and two percent of the total market value  
22           of the securities on loan from the state for the transaction, plus accrued interest.

23           (iii) Only securities authorized for investment by the treasurer pursuant to  
24           R.S. 49:327(B) or R.S. 17:3803(B) may be provided as collateral.

25           (2) The securities lending agent, or the custodian of the collateral securities  
26           and the custodian of the securities on loan, shall determine the market value of the  
27           collateral securities and the securities on loan each business day and report these  
28           market values to the treasurer.

1           D. Cash collateral pledged for a securities lending contract executed pursuant  
2           to the provisions of this Section may be invested in any securities authorized for  
3           investment by the treasurer pursuant to R.S. 17:3803(B) or R.S. 49:327(B).

4           ~~The borrower shall provide collateral with a value equal to or greater than~~  
5           ~~one hundred two percent of the market value of the securities lent by the state plus~~  
6           ~~any accrued interest.~~

7           ~~(2) The collateral shall be in the form of either cash, which may be invested~~  
8           ~~in securities under Paragraph (3) of this Subsection, or securities that are authorized~~  
9           ~~investments under R.S. 49:327(B).~~

10          ~~(3) The collateral received as security for such lending shall be invested as~~  
11          ~~authorized in R.S. 49:327(B) and held for safekeeping by a custodian.~~

12          ~~C. The securities lending agent shall indemnify the state for any losses~~  
13          ~~resulting from the default of a borrower.~~

#### 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 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)