

ACT No. 376

2021 Regular Session

HOUSE BILL NO. 284

BY REPRESENTATIVE ILLG AND SENATOR TALBOT

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.

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

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

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

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

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

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

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

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

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

20 (2) The securities lending agent, or the custodian of the collateral securities
 21 and the custodian of the securities on loan, shall determine the market value of the
 22 collateral securities and the securities on loan each business day and report these
 23 market values to the treasurer.

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

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

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

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

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

SPEAKER OF THE HOUSE OF REPRESENTATIVES

PRESIDENT OF THE SENATE

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____