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FIRST REPRINT

A.B. 196

ASSEMBLY BILL NO. 196—ASSEMBLYMEN SEAMAN,
 FIORE, MOORE, JONES; AND SHELTON

FEBRUARY 26, 2015

Referred to Committee on Government Affairs

SUMMARY—Makes various changes relating to investments of public money. (BDR 31-857)

FISCAL NOTE: Effect on Local Government: No.
 Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to public financial administration; revising the types of investments authorized to be made with money in certain public funds; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Existing law specifies the various types of investments that the State Treasurer
 2 or a local government may make with money in certain funds. (NRS 355.060,
 3 355.140, 355.170, 355.171) Existing law allows the money of this State, the State
 4 Insurance Fund and the governing bodies of local governments to be used for
 5 repurchase agreements if certain requirements are met to ensure that a repurchase
 6 agreement does not violate Section 9 of Article 8 of the Nevada Constitution,
 7 including that the security which is subject to the agreement is of a type that is legal
 8 for the State or the local government to own and that ownership of the security
 9 which is subject to the agreement must actually change hands. (NRS 355.140,
 10 355.170) Existing law also prohibits the investment of money of this State or the
 11 State Permanent School Fund, except for money invested by the Public Employees'
 12 Retirement System, in reverse-repurchase agreements. (NRS 355.060, 355.140)

13 **Sections 1 and 2** of this bill authorize the investment of the money of this State
 14 and the State Permanent School Fund in reverse-repurchase agreements if those
 15 agreements meet certain requirements, which are similar to the requirements on
 16 repurchase agreements, to avoid a violation of Section 3 of Article 9 of the Nevada
 17 Constitution. **Sections 1 and 2** also impose additional requirements on reverse-
 18 repurchase agreements which depend upon the purpose for which the reverse-
 19 repurchase agreement is made.

20 **Section 2** allows investments of the money of this State and the State Insurance
 21 Fund in: (1) any obligation or certificate of an agency of the United States; (2)
 22 bonds of any general improvement district which meet certain requirements; and
 23 (3) a portfolio of investments that, in aggregate value, includes up to 25 percent,
 24 rather than 20 percent, of notes, bonds or other unconditional obligations for the



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25 payment of money issued by certain corporations or depository institutions. **Section**
26 **2** also eliminates the prohibition against investing the money of this State or the
27 State Insurance Fund in a repurchase agreement which involves securities that have
28 a term to maturity at the time of purchase in excess of 10 years.

29 **Section 3** of this bill eliminates the requirement that, when the governing body
30 of a local government purchases commercial paper issued by certain corporations
31 or depository institutions as an investment of its money, the purchase must be made
32 from a registered broker-dealer. **Section 3** also eliminates the prohibition against
33 investing the money of the governing body of a local government in a repurchase
34 agreement which involves securities that have a term to maturity at the time of
35 purchase in excess of 10 years.

36 **Section 4** of this bill allows investments of certain money of boards of county
37 commissioners, boards of trustees of county school districts and the governing
38 bodies of incorporated cities in: (1) notes, bonds and other unconditional
39 obligations for the payment of money issued by certain corporations or banks; and
40 (2) a portfolio of investments that, in aggregate value, includes up to 25 percent,
41 rather than 20 percent, of notes, bonds or other unconditional obligations for the
42 payment of money issued by certain corporations or banks.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 355.060 is hereby amended to read as follows:
2 355.060 1. The State Controller shall notify the State
3 Treasurer monthly of the amount of uninvested money in the State
4 Permanent School Fund.

5 2. Whenever there is a sufficient amount of money for
6 investment in the State Permanent School Fund, the State Treasurer
7 shall proceed to negotiate for the investment of the money in:

8 (a) United States bonds.

9 (b) Obligations or certificates of the Federal National Mortgage
10 Association, the Federal Home Loan Banks, the Federal Home Loan
11 Mortgage Corporation, the Federal Farm Credit Banks Funding
12 Corporation or the Student Loan Marketing Association, whether or
13 not guaranteed by the United States.

14 (c) Bonds of this state or of other states.

15 (d) Bonds of any county of the State of Nevada.

16 (e) United States treasury notes.

17 (f) Farm mortgage loans fully insured and guaranteed by the
18 Farm Service Agency of the United States Department of
19 Agriculture.

20 (g) Loans at a rate of interest of not less than 6 percent per
21 annum, secured by mortgage on agricultural lands in this state of not
22 less than three times the value of the amount loaned, exclusive of
23 perishable improvements, of unexceptional title and free from all
24 encumbrances.

25 (h) Money market mutual funds that:



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- 1 (1) Are registered with the Securities and Exchange
2 Commission;
- 3 (2) Are rated by a nationally recognized rating service as
4 "AAA" or its equivalent; and
- 5 (3) Invest only in securities issued or guaranteed as to
6 payment of principal and interest by the Federal Government, or its
7 agencies or instrumentalities, or in repurchase agreements that are
8 fully collateralized by such securities.
- 9 (i) Common or preferred stock of a corporation created by or
10 existing under the laws of the United States or of a state, district or
11 territory of the United States, if:
 - 12 (1) The stock of the corporation is:
 - 13 (I) Listed on a national stock exchange; or
 - 14 (II) Traded in the over-the-counter market, if the price
15 quotations for the over-the-counter stock are quoted by the National
16 Association of Securities Dealers Automated Quotations System
17 (NASDAQ);
 - 18 (2) The outstanding shares of the corporation have a total
19 market value of not less than \$50,000,000;
 - 20 (3) The maximum investment in stock is not greater than 50
21 percent of the book value of the total investments of the State
22 Permanent School Fund;
 - 23 (4) Except for investments made pursuant to paragraph (k),
24 the amount of an investment in a single corporation is not greater
25 than 3 percent of the book value of the assets of the State Permanent
26 School Fund; and
 - 27 (5) Except for investments made pursuant to paragraph (k),
28 the total amount of shares owned by the State Permanent School
29 Fund is not greater than 5 percent of the outstanding stock of a
30 single corporation.
- 31 (j) A pooled or commingled real estate fund or a real estate
32 security that is managed by a corporate trustee or by an investment
33 advisory firm that is registered with the Securities and Exchange
34 Commission, either of which may be retained by the State Treasurer
35 as an investment manager. The shares and the pooled or
36 commingled fund must be held in trust. The total book value of an
37 investment made under this paragraph must not at any time be
38 greater than 5 percent of the total book value of all investments of
39 the State Permanent School Fund.
- 40 (k) Mutual funds or common trust funds that consist of any
41 combination of the investments listed in paragraphs (a) to (j),
42 inclusive.
- 43 (l) The limited partnerships or limited-liability companies
44 described in NRS 355.280.



1 3. The State Treasurer shall not invest any money in the State
2 Permanent School Fund pursuant to paragraph (i), (j) or (k) of
3 subsection 2 unless the State Treasurer obtains a judicial
4 determination that the proposed investment or category of
5 investments will not violate the provisions of Section 9 of Article 8
6 of the Constitution of the State of Nevada. The State Treasurer shall
7 contract for the services of independent contractors to manage any
8 investments of the State Treasurer made pursuant to paragraph (i),
9 (j) or (k) of subsection 2. The State Treasurer shall establish such
10 criteria for the qualifications of such an independent contractor as
11 are appropriate to ensure that each independent contractor has
12 expertise in the management of such investments.

13 4. In addition to the investments authorized by subsection 2,
14 the State Treasurer may make loans of money from the State
15 Permanent School Fund to school districts pursuant to
16 NRS 387.526.

17 5. ~~No part of the State Permanent School Fund may be~~
18 ~~invested pursuant to a reverse-repurchase agreement.~~ *Reverse-*
19 *repurchase agreements are proper and lawful investments of*
20 *money of the State Permanent School Fund for the purchase or*
21 *sale of securities which are negotiable and of the types listed in*
22 *subsection 2 if made in accordance with the following conditions:*

23 (a) *In all reverse-repurchase agreements:*

24 (1) *At or before the time money to pay the purchase price is*
25 *transferred, title to the purchased securities must be recorded in*
26 *the name of an appointed custodian, or the purchased securities*
27 *must be delivered with all appropriate, executed transfer*
28 *instruments by physical delivery to the custodian; and*

29 (2) *The State must enter into a written contract with the*
30 *custodian appointed pursuant to subparagraph (1) which requires*
31 *the custodian to:*

32 (I) *Disburse cash for reverse-repurchase agreements*
33 *only upon receipt of the underlying securities; and*

34 (II) *Hold the securities separate from the assets of the*
35 *custodian.*

36 (b) *If a reverse-repurchase agreement is made for the purpose*
37 *of acquiring additional investments, the State Treasurer shall*
38 *invest the proceeds in bills and notes of the United States Treasury*
39 *or Obligations of an agency of the United States which mature on*
40 *a date within 16 days before or after the date on which the reverse-*
41 *repurchase agreement ends.*

42 6. *As used in this section:*

43 (a) *“Counterparty” means a bank organized and operating or*
44 *licensed to operate in the United States pursuant to federal or state*
45 *law or a securities dealer which is:*



- 1 (1) *A registered broker-dealer;*
- 2 (2) *Designated by the Federal Reserve Bank of New York*
- 3 *as a "primary" dealer in United States government securities; and*
- 4 (3) *In full compliance with all applicable capital*
- 5 *requirements.*

6 (b) *"Reverse-repurchase agreement" means a purchase of*

7 *securities by a counterparty from the State which commits to*

8 *repurchase those securities or securities of the same issuer,*

9 *description, issue date and maturity on or before a specified date*

10 *for a specified price.*

11 **Sec. 2.** NRS 355.140 is hereby amended to read as follows:

12 355.140 1. In addition to other investments provided for by a

13 specific statute, the following bonds and other securities are proper

14 and lawful investments of any of the money of this state, of its

15 various departments, institutions and agencies, and of the State

16 Insurance Fund:

17 (a) Bonds and certificates of the United States;

18 (b) Bonds, notes, debentures and loans if they are underwritten

19 by or their payment is guaranteed by the United States;

20 (c) Obligations or certificates of the United States Postal

21 Service, the Federal National Mortgage Association, the

22 Government National Mortgage Association, the Federal

23 Agricultural Mortgage Corporation, the Federal Home Loan Banks,

24 the Federal Home Loan Mortgage Corporation, ~~for~~ the Student

25 Loan Marketing Association ~~or~~ *or other agency of the United*

26 *States*, whether or not guaranteed by the United States;

27 (d) Bonds of this state or other states of the Union;

28 (e) Bonds of any county of this state or of other states;

29 (f) Bonds of incorporated cities in this state or in other states of

30 the Union, including special assessment district bonds if those bonds

31 provide that any deficiencies in the proceeds to pay the bonds are to

32 be paid from the general fund of the incorporated city;

33 (g) General obligation bonds of irrigation districts and drainage

34 districts in this state which are liens upon the property within those

35 districts, if the value of the property is found by the board or

36 commission making the investments to render the bonds financially

37 sound over all other obligations of the districts;

38 (h) Bonds of school districts within this state;

39 (i) Bonds of any general improvement district ~~whose~~

40 ~~population is 200,000 or more and which is situated in two or more~~

41 ~~counties of this state or of any other state.]~~ if:

42 (1) The bonds are general obligation bonds and constitute a

43 lien upon the property within the district which is subject to

44 taxation; and



1 (2) That property is of an assessed valuation of not less than
2 five times the amount of the bonded indebtedness of the district;

3 (j) Medium-term obligations for counties, cities and school
4 districts authorized pursuant to chapter 350 of NRS;

5 (k) Loans bearing interest at a rate determined by the State
6 Board of Finance when secured by first mortgages on agricultural
7 lands in this state of not less than three times the value of the
8 amount loaned, exclusive of perishable improvements, and of
9 unexceptional title and free from all encumbrances;

10 (l) Farm loan bonds, consolidated farm loan bonds, debentures,
11 consolidated debentures and other obligations issued by federal land
12 banks and federal intermediate credit banks under the authority of
13 the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012,
14 inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act
15 of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds,
16 debentures, consolidated debentures and other obligations issued by
17 banks for cooperatives under the authority of the Farm Credit Act of
18 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm
19 Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, excluding
20 such money thereof as has been received or which may be received
21 hereafter from the Federal Government or received pursuant to some
22 federal law which governs the investment thereof;

23 (m) Negotiable certificates of deposit issued by commercial
24 banks, insured credit unions or savings and loan associations;

25 (n) Bankers' acceptances of the kind and maturities made
26 eligible by law for rediscount with Federal Reserve banks or trust
27 companies which are members of the Federal Reserve System,
28 except that acceptances may not exceed 180 days' maturity, and
29 may not, in aggregate value, exceed 20 percent of the total par value
30 of the portfolio as determined on the date of purchase;

31 (o) Commercial paper issued by a corporation organized and
32 operating in the United States or by a depository institution licensed
33 by the United States or any state and operating in the United States
34 that:

35 (1) At the time of purchase has a remaining term to maturity
36 of not more than 270 days; and

37 (2) Is rated by a nationally recognized rating service as
38 "A-1," "P-1" or its equivalent, or better,

39 ↪ except that investments pursuant to this paragraph may not, in
40 aggregate value, exceed 20 percent of the total par value of the
41 portfolio as determined on the date of purchase, and if the rating of
42 an obligation is reduced to a level that does not meet the
43 requirements of this paragraph, it must be sold as soon as possible;

44 (p) Notes, bonds and other unconditional obligations for the
45 payment of money, except certificates of deposit that do not qualify



1 pursuant to paragraph (m), issued by corporations organized and
2 operating in the United States or by depository institutions licensed
3 by the United States or any state and operating in the United States
4 that:

5 (1) Are purchased from a registered broker-dealer;

6 (2) At the time of purchase have a remaining term to
7 maturity of not more than 5 years; and

8 (3) Are rated by a nationally recognized rating service as "A"
9 or its equivalent, or better,

10 ↪ except that investments pursuant to this paragraph may not, in
11 aggregate value, exceed ~~20~~ 25 percent of the total par value of the
12 portfolio, and if the rating of an obligation is reduced to a level that
13 does not meet the requirements of this paragraph, it must be sold as
14 soon as possible;

15 (q) Money market mutual funds which:

16 (1) Are registered with the Securities and Exchange
17 Commission;

18 (2) Are rated by a nationally recognized rating service as
19 "AAA" or its equivalent; and

20 (3) Invest only in securities issued by the Federal
21 Government or agencies of the Federal Government or in repurchase
22 agreements fully collateralized by such securities;

23 (r) Collateralized mortgage obligations that are rated by a
24 nationally recognized rating service as "AAA" or its equivalent; and

25 (s) Asset-backed securities that are rated by a nationally
26 recognized rating service as "AAA" or its equivalent.

27 2. Repurchase agreements are proper and lawful investments of
28 money of the State and the State Insurance Fund for the purchase or
29 sale of securities which are negotiable and of the types listed in
30 subsection 1 if made in accordance with the following conditions:

31 (a) The State Treasurer shall designate in advance and thereafter
32 maintain a list of qualified counterparties which:

33 (1) Regularly provide audited and, if available, unaudited
34 financial statements to the State Treasurer;

35 (2) The State Treasurer has determined to have adequate
36 capitalization and earnings and appropriate assets to be highly credit
37 worthy; and

38 (3) Have executed a written master repurchase agreement in
39 a form satisfactory to the State Treasurer and the State Board of
40 Finance pursuant to which all repurchase agreements are entered
41 into. The master repurchase agreement must require the prompt
42 delivery to the State Treasurer and the appointed custodian of
43 written confirmations of all transactions conducted thereunder, and
44 must be developed giving consideration to the Federal Bankruptcy
45 Act, 11 U.S.C. §§ 101 et seq.



1 (b) In all repurchase agreements:

2 (1) At or before the time money to pay the purchase price is
3 transferred, title to the purchased securities must be recorded in the
4 name of the appointed custodian, or the purchased securities must be
5 delivered with all appropriate, executed transfer instruments by
6 physical delivery to the custodian;

7 (2) The State must enter into a written contract with the
8 custodian appointed pursuant to subparagraph (1) which requires the
9 custodian to:

10 (I) Disburse cash for repurchase agreements only upon
11 receipt of the underlying securities;

12 (II) Notify the State when the securities are marked to the
13 market if the required margin on the agreement is not maintained;

14 (III) Hold the securities separate from the assets of the
15 custodian; and

16 (IV) Report periodically to the State concerning the
17 market value of the securities;

18 (3) The market value of the purchased securities must exceed
19 102 percent of the repurchase price to be paid by the counterparty
20 and the value of the purchased securities must be marked to the
21 market weekly; *and*

22 (4) The date on which the securities are to be repurchased
23 must not be more than 90 days after the date of purchase. ~~;~~ *and*

24 ~~— (5) The purchased securities must not have a term to maturity~~
25 ~~at the time of purchase in excess of 10 years.~~

26 3. *Reverse-repurchase agreements are proper and lawful*
27 *investments of money of the State for the purchase or sale of*
28 *securities which are negotiable and of the types listed in*
29 *subsection 1 if made in accordance with the following conditions:*

30 (a) *In all reverse-repurchase agreements:*

31 (1) *At or before the time money to pay the purchase price is*
32 *transferred, title to the purchased securities must be recorded in*
33 *the name of an appointed custodian, or the purchased securities*
34 *must be delivered with all appropriate, executed transfer*
35 *instruments by physical delivery to the custodian; and*

36 (2) *The State must enter into a written contract with the*
37 *custodian appointed pursuant to subparagraph (1) which requires*
38 *the custodian to:*

39 (I) *Disburse cash for reverse-repurchase agreements*
40 *only upon receipt of the underlying securities; and*

41 (II) *Hold the securities separate from the assets of the*
42 *custodian.*

43 (b) *If a reverse-repurchase agreement is made for the purpose*
44 *of:*



1 (1) *Obtaining liquidity for the State, the State Treasurer*
2 *shall obligate for the repurchase of the security that is subject to*
3 *the reverse-repurchase agreement another security held by the*
4 *State which is valued at an amount equal to the amount due for*
5 *repurchase and which matures on a date within 16 days before or*
6 *after the date on which the reverse-repurchase agreement ends.*

7 (2) *Acquiring additional investments, the State Treasurer*
8 *shall invest the proceeds in bills and notes of the United States*
9 *Treasury or obligations of an agency of the United States which*
10 *mature on a date within 16 days before or after the date on which*
11 *the reverse-repurchase agreement ends.*

12 4. As used in ~~subsection 2;~~ *this section:*

13 (a) "Counterparty" means a bank organized and operating or
14 licensed to operate in the United States pursuant to federal or state
15 law or a securities dealer which is:

16 (1) A registered broker-dealer;

17 (2) Designated by the Federal Reserve Bank of New York as
18 a "primary" dealer in United States government securities; and

19 (3) In full compliance with all applicable capital
20 requirements.

21 (b) "Repurchase agreement" means a purchase of securities by
22 the State or State Insurance Fund from a counterparty which
23 commits to repurchase those securities or securities of the same
24 issuer, description, issue date and maturity on or before a specified
25 date for a specified price.

26 ~~4. No money of this state may be invested pursuant to a~~
27 ~~reverse repurchase agreement, except money invested pursuant to~~
28 ~~chapter 286 of NRS.~~

29 (c) *"Reverse-repurchase agreement" means a purchase of*
30 *securities by a counterparty from the State which commits to*
31 *repurchase those securities or securities of the same issuer,*
32 *description, issue date and maturity on or before a specified date*
33 *for a specified price.*

34 **Sec. 3.** NRS 355.170 is hereby amended to read as follows:

35 355.170 1. Except as otherwise provided in this section and
36 NRS 354.750 and 355.171, the governing body of a local
37 government may purchase for investment the following securities
38 and no others:

39 (a) Bonds and debentures of the United States, the maturity
40 dates of which do not extend more than 10 years after the date of
41 purchase.

42 (b) Farm loan bonds, consolidated farm loan bonds, debentures,
43 consolidated debentures and other obligations issued by federal land
44 banks and federal intermediate credit banks under the authority of
45 the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012,



1 inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act
2 of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds,
3 debentures, consolidated debentures and other obligations issued by
4 banks for cooperatives under the authority of the Farm Credit Act of
5 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm
6 Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive.

7 (c) Bills and notes of the United States Treasury, the maturity
8 date of which is not more than 10 years after the date of purchase.

9 (d) Obligations of an agency or instrumentality of the United
10 States of America or a corporation sponsored by the government,
11 the maturity date of which is not more than 10 years after the date of
12 purchase.

13 (e) Negotiable certificates of deposit issued by commercial
14 banks, insured credit unions or savings and loan associations.

15 (f) Securities which have been expressly authorized as
16 investments for local governments by any provision of Nevada
17 Revised Statutes or by any special law.

18 (g) Nonnegotiable certificates of deposit issued by insured
19 commercial banks, insured credit unions or insured savings and loan
20 associations, except certificates that are not within the limits of
21 insurance provided by an instrumentality of the United States,
22 unless those certificates are collateralized in the same manner as is
23 required for uninsured deposits by a county treasurer pursuant to
24 NRS 356.133. For the purposes of this paragraph, any reference to
25 NRS 356.133 to a "county treasurer" or "board of county
26 commissioners" shall be deemed to refer to the appropriate financial
27 officer or governing body of the local government purchasing the
28 certificates.

29 (h) Subject to the limitations contained in NRS 355.177,
30 negotiable notes medium-term obligations issued by local
31 governments of the State of Nevada pursuant to NRS 350.087 to
32 350.095, inclusive.

33 (i) Bankers' acceptances of the kind and maturities made
34 eligible by law for rediscount with Federal Reserve Banks, and
35 generally accepted by banks or trust companies which are members
36 of the Federal Reserve System. Eligible bankers' acceptances may
37 not exceed 180 days' maturity. Purchases of bankers' acceptances
38 may not exceed 20 percent of the money available to a local
39 government for investment as determined on the date of purchase.

40 (j) Obligations of state and local governments if:

41 (1) The interest on the obligation is exempt from gross
42 income for federal income tax purposes; and

43 (2) The obligation has been rated "A" or higher by one or
44 more nationally recognized bond credit rating agencies.



1 (k) Commercial paper issued by a corporation organized and
2 operating in the United States or by a depository institution licensed
3 by the United States or any state and operating in the United States
4 that:

5 (1) ~~Has purchased from a registered broker-dealer;~~

6 ~~(2)~~ At the time of purchase has a remaining term to maturity
7 of no more than 270 days; and

8 ~~(3)~~ (2) Is rated by a nationally recognized rating service as
9 "A-1," "P-1" or its equivalent, or better,

10 ↪ except that investments pursuant to this paragraph may not, in
11 aggregate value, exceed 20 percent of the total portfolio as
12 determined on the date of purchase, and if the rating of an obligation
13 is reduced to a level that does not meet the requirements of this
14 paragraph, it must be sold as soon as possible.

15 (l) Money market mutual funds which:

16 (1) Are registered with the Securities and Exchange
17 Commission;

18 (2) Are rated by a nationally recognized rating service as
19 "AAA" or its equivalent; and

20 (3) Invest only in:

21 (I) Securities issued by the Federal Government or
22 agencies of the Federal Government;

23 (II) Master notes, bank notes or other short-term
24 commercial paper rated by a nationally recognized rating service as
25 "A-1," "P-1" or its equivalent, or better, issued by a corporation
26 organized and operating in the United States or by a depository
27 institution licensed by the United States or any state and operating in
28 the United States; or

29 (III) Repurchase agreements that are fully collateralized
30 by the obligations described in sub-subparagraphs (I) and (II).

31 (m) Obligations of the Federal Agricultural Mortgage
32 Corporation.

33 2. Repurchase agreements are proper and lawful investments of
34 money of a governing body of a local government for the purchase
35 or sale of securities which are negotiable and of the types listed in
36 subsection 1 if made in accordance with the following conditions:

37 (a) The governing body of the local government shall designate
38 in advance and thereafter maintain a list of qualified counterparties
39 which:

40 (1) Regularly provide audited and, if available, unaudited
41 financial statements;

42 (2) The governing body of the local government has
43 determined to have adequate capitalization and earnings and
44 appropriate assets to be highly creditworthy; and



1 (3) Have executed a written master repurchase agreement in
2 a form satisfactory to the governing body of the local government
3 pursuant to which all repurchase agreements are entered into. The
4 master repurchase agreement must require the prompt delivery to
5 the governing body of the local government and the appointed
6 custodian of written confirmations of all transactions conducted
7 thereunder, and must be developed giving consideration to the
8 Federal Bankruptcy Act.

9 (b) In all repurchase agreements:

10 (1) At or before the time money to pay the purchase price is
11 transferred, title to the purchased securities must be recorded in the
12 name of the appointed custodian, or the purchased securities must be
13 delivered with all appropriate, executed transfer instruments by
14 physical delivery to the custodian;

15 (2) The governing body of the local government must enter a
16 written contract with the custodian appointed pursuant to
17 subparagraph (1) which requires the custodian to:

18 (I) Disburse cash for repurchase agreements only upon
19 receipt of the underlying securities;

20 (II) Notify the governing body of the local government
21 when the securities are marked to the market if the required margin
22 on the agreement is not maintained;

23 (III) Hold the securities separate from the assets of the
24 custodian; and

25 (IV) Report periodically to the governing body of the
26 local government concerning the market value of the securities;

27 (3) The market value of the purchased securities must exceed
28 102 percent of the repurchase price to be paid by the counterparty
29 and the value of the purchased securities must be marked to the
30 market weekly; *and*

31 (4) The date on which the securities are to be repurchased
32 must not be more than 90 days after the date of purchase. ~~}; and~~

33 ~~— (5) The purchased securities must not have a term to maturity~~
34 ~~at the time of purchase in excess of 10 years.]~~

35 3. The securities described in paragraphs (a), (b) and (c) of
36 subsection 1 and the repurchase agreements described in subsection
37 2 may be purchased when, in the opinion of the governing body of the
38 local government, there is sufficient money in any fund of the
39 local government to purchase those securities and the purchase will
40 not result in the impairment of the fund for the purposes for which it
41 was created.

42 4. When the governing body of the local government has
43 determined that there is available money in any fund or funds for the
44 purchase of bonds as set out in subsection 1 or 2, those purchases
45 may be made and the bonds paid for out of any one or more of the



1 funds, but the bonds must be credited to the funds in the amounts
2 purchased, and the money received from the redemption of the
3 bonds, as and when redeemed, must go back into the fund or funds
4 from which the purchase money was taken originally.

5 5. Any interest earned on money invested pursuant to
6 subsection 3, may, at the discretion of the governing body of the
7 local government, be credited to the fund from which the principal
8 was taken or to the general fund of the local government.

9 6. The governing body of a local government may invest any
10 money apportioned into funds and not invested pursuant to
11 subsection 3 and any money not apportioned into funds in bills and
12 notes of the United States Treasury, the maturity date of which is
13 not more than 1 year after the date of investment. These investments
14 must be considered as cash for accounting purposes, and all the
15 interest earned on them must be credited to the general fund of the
16 local government.

17 7. This section does not authorize the investment of money
18 administered pursuant to a contract, debenture agreement or grant in
19 a manner not authorized by the terms of the contract, agreement or
20 grant.

21 8. As used in this section:

22 (a) "Counterparty" means a bank organized and operating or
23 licensed to operate in the United States pursuant to federal or state
24 law or a securities dealer which is:

25 (1) A registered broker-dealer;

26 (2) Designated by the Federal Reserve Bank of New York as
27 a "primary" dealer in United States government securities; and

28 (3) In full compliance with all applicable capital
29 requirements.

30 (b) "Local government" has the meaning ascribed to it in
31 NRS 354.474.

32 (c) "Repurchase agreement" means a purchase of securities by
33 the governing body of a local government from a counterparty
34 which commits to repurchase those securities or securities of the
35 same issuer, description, issue date and maturity on or before a
36 specified date for a specified price.

37 **Sec. 4.** NRS 355.171 is hereby amended to read as follows:

38 355.171 1. Except as otherwise provided in this section, a
39 board of county commissioners, a board of trustees of a county
40 school district or the governing body of an incorporated city may
41 purchase for investment:

42 (a) Notes, bonds and other unconditional obligations for the
43 payment of money issued by corporations organized and operating
44 in the United States *or by banks licensed by the United States or*
45 *any state and operating in the United States* that:



- 1 (1) Are purchased from a registered broker-dealer;
- 2 (2) At the time of purchase have a remaining term to
- 3 maturity of no more than 5 years; and
- 4 (3) Are rated by a nationally recognized rating service as "A"
- 5 or its equivalent, or better.
- 6 (b) Collateralized mortgage obligations that are rated by a
- 7 nationally recognized rating service as "AAA" or its equivalent.
- 8 (c) Asset-backed securities that are rated by a nationally
- 9 recognized rating service as "AAA" or its equivalent.
- 10 2. With respect to investments purchased pursuant to paragraph
- 11 (a) of subsection 1:
- 12 (a) Such investments must not, in aggregate value, exceed ~~120~~
- 13 **25** percent of the total portfolio as determined on the date of
- 14 purchase;
- 15 (b) Not more than 25 percent of such investments may be in
- 16 notes, bonds and other unconditional obligations issued by any one
- 17 corporation; and
- 18 (c) If the rating of an obligation is reduced to a level that does
- 19 not meet the requirements of that paragraph, the obligation must be
- 20 sold as soon as possible.
- 21 3. Subsections 1 and 2 do not:
- 22 (a) Apply to a:
- 23 (1) Board of county commissioners of a county whose
- 24 population is less than 100,000;
- 25 (2) Board of trustees of a county school district in a county
- 26 whose population is less than 100,000; or
- 27 (3) Governing body of an incorporated city whose population
- 28 is less than 150,000,
- 29 ↪ unless the purchase is effected by the State Treasurer pursuant to
- 30 his or her investment of a pool of money from local governments or
- 31 by an investment adviser who is registered with the Securities and
- 32 Exchange Commission and approved by the State Board of Finance.
- 33 (b) Authorize the investment of money administered pursuant to
- 34 a contract, debenture agreement or grant in a manner not authorized
- 35 by the terms of the contract, agreement or grant.
- 36 **Sec. 5.** (Deleted by amendment.)



