

1 STATE OF OKLAHOMA

2 1st Session of the 56th Legislature (2017)

3 HOUSE BILL 1936

By: Bennett (John)

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5  
6 AS INTRODUCED

7 An Act relating to terrorism; amending 62 O.S. 2011,  
8 Section 89.2, as last amended by Section 66, Chapter  
9 15, O.S.L. 2013 (62 O.S. Supp. 2016, Section 89.2),  
10 which relates to investment of funds by State  
11 Treasurer; prohibiting the renewal of investments  
12 under certain circumstances; providing for the  
13 inclusion of prohibited countries and governments on  
14 certain list; authorizing removal upon  
15 reclassification; exempting certain activities; and  
16 providing an effective date.

17 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

18 SECTION 1. AMENDATORY 62 O.S. 2011, Section 89.2, as  
19 last amended by Section 66, Chapter 15, O.S.L. 2013 (62 O.S. Supp.  
20 2016, Section 89.2), is amended to read as follows:

21 Section 89.2 A. The State Treasurer is directed to invest the  
22 maximum amount of funds under control of the State Treasurer  
23 consistent with good business practices. Except as otherwise  
24 provided for by law, the investments shall earn not less than the  
rate for comparable maturities on United States Treasury  
obligations. Except as otherwise provided for by law, the State  
Treasurer may purchase and invest only in:

1           1. Obligations of the United States Government, its agencies  
2 and instrumentalities, or other obligations fully insured or  
3 unconditionally guaranteed as to the payment of principal and  
4 interest by the United States ~~government~~ Government or any of its  
5 agencies and instrumentalities;

6           2. Collateralized or insured certificates of deposit and other  
7 evidences of deposit at banks, savings banks, savings and loan  
8 associations and credit unions located in this state;

9           3. Negotiable certificates of deposit issued by a nationally or  
10 state-chartered bank, a savings bank, a savings and loan association  
11 or a state-licensed branch of a foreign bank. Purchases of  
12 negotiable certificates of deposit shall not exceed ten percent  
13 (10%) of the cash available for investment which may be invested  
14 pursuant to this section. Not more than one-half (1/2) of the ten  
15 percent (10%) limit shall be invested in any one financial  
16 institution specified in this paragraph;

17           4. Prime banker's acceptances which are eligible for purchase  
18 by the Federal Reserve System and which do not exceed two hundred  
19 seventy (270) days' maturity. Purchases of prime banker's  
20 acceptances shall not exceed ten percent (10%) of the cash available  
21 for investment which may be invested pursuant to this section. Not  
22 more than three-fourths (3/4) of the ~~ten percent (10%)~~ ten-percent  
23 limit shall be invested in any one commercial bank pursuant to this  
24 paragraph;

1           5. Prime commercial paper which shall not have a maturity that  
2 exceeds one hundred eighty (180) days nor represent more than ten  
3 percent (10%) of the outstanding paper of an issuing corporation.  
4 Purchases of prime commercial paper shall not exceed seven and one-  
5 half percent (7 1/2%) of the cash available for investment which may  
6 be invested pursuant to this section;

7           6. Investment grade obligations of state and local governments,  
8 including obligations of Oklahoma state public trusts which possess  
9 the highest rating from at least one nationally recognized rating  
10 agency acceptable to the State Treasurer. Purchases of investment  
11 grade obligations of state and local governments shall not exceed  
12 ten percent (10%) of the cash available for investment which may be  
13 invested pursuant to this section;

14           7. Repurchase agreements, provided that such agreements are  
15 included within the written investment policy required by subsection  
16 D of this section that have underlying collateral consisting of  
17 those items and those restrictions specified in paragraphs 1 through  
18 6 of this subsection;

19           8. Money market funds and short term bond funds regulated by  
20 the Securities and Exchange Commission and which investments consist  
21 of those items and those restrictions specified in paragraphs 1  
22 through 7 of this subsection; and

23           9. Bonds, notes, debentures or other similar obligations of a  
24 foreign government which the International Monetary Fund lists as an

1 industrialized country and for which the full faith and credit of  
2 such nation has been pledged for the payment of principal and  
3 interest; provided, that any such security shall be rated at least  
4 A- or better by Standard & Poor's Corporation or A3 or better by  
5 Moody's Investors Service, or an equivalent investment grade by a  
6 securities ratings organization accepted by the National Association  
7 of Insurance Commissioners; and provided further, that the total  
8 investment in such foreign securities at any one time shall not  
9 exceed five percent (5%) of the cash available for investment which  
10 may be invested pursuant to this section.

11 B. In no circumstance shall investments be made in bonds,  
12 notes, debentures or any similar obligations of a foreign government  
13 that:

14 a. ~~is~~

15 1. Is identified as a state sponsor of terrorism by the United  
16 States Department of State; or

17 b. any

18 2. Is identified as an authoritarian or totalitarian government  
19 the sovereign powers of which are exercised through a single person  
20 or group of persons who are not elected by any form of legitimate  
21 popular voting.

22 Existing investments in such bonds, notes, debentures or similar  
23 obligations shall not be renewed and shall be cancelled or divested  
24 at the earliest prudent opportunity. Under no circumstance shall

1 such investments be in force beyond December 31, 2019. Prohibited  
2 countries shall be included as a separate category on the list of  
3 approved financial institutions and broker/dealers maintained by the  
4 State Treasurer when designated by the United States Department of  
5 State as a state sponsor of terrorism. Countries may be removed  
6 from the list upon being reclassified by the United States  
7 Department of State as not being a state sponsor of terrorism. The  
8 provisions of this subsection shall not apply to activities for  
9 which a company is acting pursuant to a license from a federal  
10 agency or to trade which is exempted by the provisions of Section  
11 560 of Title 31 of the Code of Federal Regulations.

12 ~~B.~~ C. Investments shall be made with judgment and care, under  
13 circumstances then prevailing, which persons of prudence, discretion  
14 and intelligence exercise in the management of their own affairs,  
15 not for speculation, but for investment, considering the probable  
16 safety of their capital as well as the probable income to be  
17 derived.

18 ~~C.~~ D. The State Treasurer shall appoint an investment officer  
19 who shall perform duties related to the investment of state funds in  
20 the Office of the State Treasurer. The investment officer shall not  
21 perform or supervise any accounting functions, data processing  
22 functions or duties related to the documentation or settlement of  
23 investment transactions.

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1       ~~D.~~ E. Investments of public funds by the State Treasurer shall  
2 be made in accordance with written policies developed by the State  
3 Treasurer. The written investment policies shall address:

- 4       1. Liquidity;
- 5       2. Diversification;
- 6       3. Safety of principal;
- 7       4. Yield;
- 8       5. Maturity and quality; and
- 9       6. Capability of investment management.

10       The State Treasurer shall place primary emphasis on safety and  
11 liquidity in the investment of public funds. To the extent  
12 practicable taking into account the need to use sound investment  
13 judgment, the written investment policies shall include provision  
14 for utilization of a system of competitive bidding in the investment  
15 of state funds. The written investment policies shall be designed  
16 to maximize yield within each class of investment instrument,  
17 consistent with the safety of the funds invested.

18       ~~E.~~ F. The State Treasurer shall select one custodial bank to  
19 settle transactions involving the investment of state funds under  
20 the control of the State Treasurer. The State Treasurer shall  
21 review the performance of the custodial bank at least once every  
22 year. The State Treasurer shall require a written competitive bid  
23 every five (5) years. The custodial bank shall have a minimum of  
24 Five Hundred Million Dollars (\$500,000,000.00) in assets to be

1 eligible for selection. Any out-of-state custodial bank shall have  
2 a service agent in the State of Oklahoma so that service of summons  
3 or legal notice may be had on such designated agent as is now or may  
4 hereafter be provided by law. In order to be eligible for  
5 selection, the custodial bank shall allow electronic access to all  
6 transaction and portfolio reports maintained by the custodial bank  
7 involving the investment of state funds under control of the State  
8 Treasurer. The access shall be given to both the State Treasurer  
9 and to the Cash Management and Investment Oversight Commission. The  
10 requirement for electronic access shall be incorporated into any  
11 contract between the State Treasurer and the custodial bank.  
12 Neither the State Treasurer nor the custodial bank shall permit any  
13 of the funds under the control of the State Treasurer or any of the  
14 documents, instruments, securities or other evidence of a right to  
15 be paid money to be located in any place other than within a  
16 jurisdiction or territory under the control or regulatory power of  
17 the United States Government.

18 F. G. The investment policy shall specify the general  
19 philosophy, policies and procedures to be followed in the investment  
20 of state monies by the State Treasurer. The investment policy shall  
21 include, but not be limited to, the following:

- 22 1. Policy objectives;
- 23 2. Performance measure objectives;
- 24 3. Authority for investment program;

- 1 4. Possible use of an investment advisory committee;
- 2 5. Reporting and documentation of investments;
- 3 6. Authorized investment instruments;
- 4 7. Diversification of investment risk;
- 5 8. Maturity limitations;
- 6 9. Selections of financial institutions;
- 7 10. Interest controls;
- 8 11. Safekeeping of investments;
- 9 12. Investment ethics; and
- 10 13. Formal adoption of policy.

11 ~~G.~~ H. The State Treasurer shall provide weekly reports of all  
12 investments made by the State Treasurer if requested by the Cash  
13 Management and Investment Oversight Commission, and list any  
14 commissions, fees or payments made for services regarding such  
15 investments. The reports required by this subsection shall be  
16 delivered to the Commission within three (3) business days of the  
17 end of the applicable week.

18 ~~H.~~ I. Not later than July 1 of each year, the State Treasurer  
19 shall forward a copy of the written investment policy to the  
20 Governor, the Speaker of the House of Representatives, the President  
21 Pro Tempore of the Senate, the Attorney General, the Bank  
22 Commissioner, and the Director of the Office of Management and  
23 Enterprise Services. In addition, the State Treasurer shall  
24 maintain one copy of the investment policy in the office of the

1 State Treasurer for public inspection during regular business hours.  
2 Copies of any modifications to the investment policy shall be  
3 forwarded to the Governor, Speaker of the House of Representatives,  
4 President Pro Tempore of the Senate, and each member of the Cash  
5 Management and Investment Oversight Commission.

6 SECTION 2. This act shall become effective November 1, 2017.

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8 56-1-6337 GRS 01/11/17

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