

By Senator Kurth

15-660A-98

See CS/HB 823

1                                   A bill to be entitled  
2           An act relating to financial matters; amending  
3           s. 18.10, F.S., which provides requirements for  
4           deposit and investment of state money; revising  
5           the standards that certain corporate  
6           obligations and state and local government  
7           obligations must meet to be qualified for such  
8           investment; authorizing investment in certain  
9           foreign bonds and certain convertible debt  
10          obligations of corporations domiciled in the  
11          United States; providing an effective date.

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13 Be It Enacted by the Legislature of the State of Florida:

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15           Section 1. Subsection (2) of section 18.10, Florida  
16 Statutes, is amended to read:

17           18.10 Deposits and investments of state money.--  
18           (2) The Treasurer shall make funds available to meet  
19 the disbursement needs of the state. Funds which are not  
20 needed for this purpose shall be placed in qualified public  
21 depositories that will pay rates established by the Treasurer  
22 at levels not less than the prevailing rate for United States  
23 Treasury securities with a corresponding maturity. In the  
24 event money is available for interest-bearing time deposits or  
25 savings accounts as provided herein and qualified public  
26 depositories are unwilling to accept such money and pay  
27 thereon the rates established above, then such money which  
28 qualified public depositories are unwilling to accept shall be  
29 invested in:

- 30           (a) Direct United States Treasury obligations.
- 31           (b) Obligations of the Federal Farm Credit Banks.

1 (c) Obligations of the Federal Home Loan Bank and its  
2 district banks.

3 (d) Obligations of the Federal Home Loan Mortgage  
4 Corporation, including participation certificates.

5 (e) Obligations guaranteed by the Government National  
6 Mortgage Association.

7 (f) Obligations of the Federal National Mortgage  
8 Association.

9 (g) Commercial paper of prime quality of the highest  
10 letter and numerical rating as provided for by at least one  
11 nationally recognized rating service.

12 (h) Time drafts or bills of exchange drawn on and  
13 accepted by a commercial bank, otherwise known as "bankers  
14 acceptances," which are accepted by a member bank of the  
15 Federal Reserve System having total deposits of not less than  
16 \$400 million or which are accepted by a commercial bank which  
17 is not a member of the Federal Reserve System with deposits of  
18 not less than \$400 million and which is licensed by a state  
19 government or the Federal Government, and whose senior debt  
20 issues are rated in one of the two highest rating categories  
21 by a nationally recognized rating service and which are held  
22 in custody by a domestic bank which is a member of the Federal  
23 Reserve System.

24 (i) ~~Intermediate-term~~ Corporate obligations or  
25 corporate master notes of any corporation within the United  
26 States, if the long-term obligations of such corporation are  
27 rated by at least two nationally recognized rating services in  
28 any one of the four ~~three~~ highest classifications. However, if  
29 such obligations are rated by on ly one nationally recognized  
30 rating service, then the obligations shall be rated in any one  
31 of the two highest classifications.

- 1           (j) Obligations of the Student Loan Marketing  
2 Association.
- 3           (k) Obligations of the Resolution Funding Corporation.
- 4           (l) Asset-backed or mortgage-backed securities of the  
5 highest credit quality.
- 6           (m) Any obligations not previously listed which are  
7 guaranteed as to principal and interest by the full faith and  
8 credit of the United States Government or are obligations of  
9 United States agencies or instrumentalities which are rated in  
10 the highest category by a nationally recognized rating  
11 service.
- 12           (n) Commingled no-load investment funds or no-load  
13 mutual funds in which all securities held by the funds are  
14 authorized in this subsection.
- 15           (o) Money market mutual funds as defined and regulated  
16 by the Securities and Exchange Commission.
- 17           (p) Obligations of state and local governments rated  
18 in any of the four ~~three~~ highest classifications by at least  
19 two ~~one or more~~ nationally recognized rating services ~~if their~~  
20 ~~purchase is for the purpose of meeting federal investment~~  
21 ~~requirements for funds accumulated from bonds or other~~  
22 ~~obligations.~~ However, if such obligations are rated by only  
23 one nationally recognized rating service, then the obligations  
24 shall be rated in any one of the two highest classifications.
- 25           (q) Derivatives of investment instruments authorized  
26 in paragraphs (a) through (m).
- 27           (r) Covered put and call options on investment  
28 instruments authorized in this subsection for the purpose of  
29 hedging transactions by investment managers to mitigate risk  
30 or to facilitate portfolio management.
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1           (s) Negotiable certificates of deposit issued by  
2 financial institutions whose long-term debt is rated in one of  
3 the three highest categories by at least two nationally  
4 recognized rating services, the investment in which shall not  
5 be prohibited by any provision of chapter 280.

6           (t) Foreign bonds denominated in United States dollars  
7 and registered with the Securities and Exchange Commission for  
8 sale in the United States, if the long-term obligations of  
9 such issuers are rated by at least two nationally recognized  
10 rating services in any one of the four highest  
11 classifications. However, if such obligations are rated by  
12 only one nationally recognized rating service, the obligations  
13 shall be rated in any one of the two highest classifications.

14           (u) Convertible debt obligations of any corporation  
15 domiciled within the United States, if the convertible debt  
16 issue is rated by at least two nationally recognized rating  
17 services in any one of the four highest classifications.  
18 However, if such obligations are rated by only one nationally  
19 recognized rating service, then the obligations shall be rated  
20 in any one of the two highest classifications.

21           ~~(v)(t)~~ Securities not otherwise described in this  
22 subsection. However, not more than 3 percent of the funds  
23 under the control of the Treasurer shall be invested in  
24 securities described in this paragraph.

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26 These investments may be in varying maturities and may be in  
27 book-entry form. Investments made pursuant to this subsection  
28 may be under repurchase agreement. The Treasurer is authorized  
29 to hire registered investment advisers and other consultants  
30 to assist in investment management and to pay fees directly  
31 from investment earnings. Investment securities, proprietary

1 investment services related to contracts, performance  
2 evaluation services, investment-related equipment or software  
3 used directly to assist investment trading or investment  
4 accounting operations including bond calculators, telerates,  
5 Bloomborgs, special program calculators, intercom systems, and  
6 software used in accounting, communications, and trading, and  
7 advisory and consulting contracts made under this section are  
8 exempt from the provisions of chapter 287.

9 Section 2. This act shall take effect July 1 of the  
10 year in which enacted.

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13 LEGISLATIVE SUMMARY

14 Revises provisions that specify requirements for the  
15 deposit and investment of state funds. Revises the  
16 standards that certain corporate obligations and state  
17 and local government obligations must meet in order to  
18 qualify for such investment. Authorizes the investment of  
19 state funds in certain foreign bonds and certain  
20 convertible debt obligations of corporations domiciled in  
21 the United States.  
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