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1 A bill to be entitled
2 An act relating to public funds; creating s. 215.478,
3 F.S.; prescribing investment principles for public
4 officers and employees investing public moneys and for
5 specified officers and employees of firms providing
6 investment banking and equity management services for
7 governmental agencies with respect to investment of public
8 moneys; providing applicability; providing an effective
9 date.

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

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13 Section 1. Section 215.478, Florida Statutes, is created
14 to read:

15 215.478 Investment protection principles.--

16 (1) Each person acting individually or as a member of a
17 collegial body making investments of public moneys as an
18 employee or officer of a state agency or an agency of county,
19 municipal, or other local government, and each employee or
20 officer of a nongovernmental entity that is retained by such an
21 agency to provide investment banking or equity management
22 services who makes investment decisions with respect to public
23 moneys held in a fiduciary capacity, must comply with the
24 following investment principles. The person must:

25 (a) Eliminate conflicts of interest in decisionmaking.

26 (b) Comply with all standards adopted by the agency, the
27 moneys of which are being invested with respect to disclosure
28 requirements that are more stringent than those provided by
29 general law.

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30 (c) Consider the corporate governance practices of the
31 companies in which public moneys are invested.

32 (2) Each nongovernmental entity that provides investment
33 banking services for which it is retained by a state agency or
34 an agency of county, municipal, or other local government must,
35 as a condition of eligibility for receiving compensation for
36 such services:

37 (a) Sever any link between compensation for analysts and
38 investment banking.

39 (b) Prohibit investment banking input into analyst
40 compensation.

41 (c) Create a review committee to approve all research
42 recommendations.

43 (d) Upon discontinuation of research coverage of a
44 company, disclose the coverage termination and the reason for
45 the termination.

46 (e) Disclose in research reports whether the firm has
47 received, or is entitled to receive, any compensation from a
48 covered company within the preceding 12 months.

49 (f) Establish a monitoring process to ensure compliance
50 with all investment protection principles to which it is
51 subject.

52 (3) Within each equity management firm doing business with
53 a state agency or an agency of county, municipal, or other local
54 government, each active equity manager must:

55 (a) Disclose periodically, as determined by rule of the
56 agency whose moneys are being managed but in no case less
57 frequently than annually, any client relationship, including

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58 management of a plan under 26 U.S.C. s. 401(k), in which the
59 firm could invest public moneys in the securities of the client.

60 (b) Disclose annually the manner in which its portfolio
61 managers and research analysts are compensated, including, but
62 not limited to, any compensation resulting from the solicitation
63 or acquisition of new clients or the retention of existing
64 clients.

65 (c) Report no less frequently than quarterly the amount of
66 commissions related to public moneys paid to broker-dealers and
67 the percentage of commissions paid to broker-dealers that have
68 publicly announced that they have adopted the investment
69 protection principles.

70 (d) Adopt safeguards to ensure that client relationships
71 of any affiliate company do not influence investment decisions
72 of the firm; provide the state agency or agency of county,
73 municipal, or other local government a copy of the safeguards
74 plan; and certify annually to the state agency or agency of
75 county, municipal, or other local government that the plan is
76 being fully enforced.

77 (e) Consider the quality and integrity of the firm's
78 accounting and financial data, including all public filings and
79 statements, as well as whether its outside auditors also provide
80 consulting or other services to the firm.

81 (f) Consider the corporate governance policies and
82 practices of the firm.

83 Section 2. This act shall take effect upon becoming a law
84 and shall apply July 1, 2005, with respect to state agency
85 officers and employees and outside investment banking or
86 management firms retained by state agencies and October 1, 2005,

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87 | with respect to officers and employees of, and outside
88 | investment banking or management firms retained by, agencies of
89 | county, municipal, or other local government.