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SENATE BILL NO. 853

Senate Amendments in [] — January 23, 2001

A BILL to amend and reenact § 2.1-328.10 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 2.1-328.16, relating to investment of state funds in corporate notes.

Patron Prior to Engrossment—Senator Miller, K.G.

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That § 2.1-328.10 of the Code of Virginia is amended and reenacted, and that the Code of Virginia is amended by adding a section numbered 2.1-328.16 as follows:

§ 2.1-328.10. Investment of funds in corporate notes.

A. Notwithstanding any provision of law to the contrary, the Commonwealth, all public officers, municipal corporations, other political subdivisions and all other public bodies of the Commonwealth may invest any and all moneys belonging to them or within their control, other than sinking funds, in high quality corporate notes with a rating of at least Aa by Moody's Investors Service, Inc., and a rating of at least AA by Standard and ~~Poors, Inc.~~ & Poor's, and a maturity of no more than five years.

B. Notwithstanding any provision of law to the contrary, any qualified public entity of the Commonwealth, as defined in this section, may invest any and all moneys belonging to it or within its control, other than sinking funds, in high quality corporate notes with a duration of no more than five years and a rating of at least A by two rating agencies, one of which must be either Moody's Investors Service, Inc., or Standard and ~~Poors, Inc.~~ & Poor's. As used in this section, "qualified public entity" is defined as any state agency or institution of the Commonwealth, having an internal or external public funds manager with professional investment management capabilities.

C. Notwithstanding any provision of law to the contrary, the Department of Treasury may invest [up to but not to exceed ten percent (10%) of] any and all moneys belonging to it or within its control, other than sinking funds, in high quality corporate notes with a rating of at least BBB or Baa2 by two rating agencies, one of which shall be either Moody's Investors Service, Inc. or Standard & Poor's, provided that the Commonwealth Treasury Board has determined the necessity and appropriateness of the use of such securities and has established controls for their use.

§ 2.1-328.16. Ancillary contracts.

As used in this section, "qualified public entity" means the Treasury Board or any state agency or institution of the Commonwealth whose governing body has determined the necessity and appropriateness of the use of contracts described in this section and has established controls for their use, and for the purposes of contracts related to investments, has an internal public funds manager with professional investment management capabilities or has contracted with an external public funds manager.

In connection with, or incidental to, the authorized issuance, sale, resale, purchase, repurchase, payment or carrying of notes or bonds or the authroized acquisition or carrying of any investments, any qualified public entity of the Commonwealth may enter into contracts, including but not limited to swaps, futures, caps and various types of investment agreements, and any other contracts or arrangements that such qualified public entity determines to be necessary or appropriate to place or amend obligations as represented by notes or bonds or investments of the entity, in whole or in part, on the interest rate, currency, cash flow or other basis desired by the qualified public entity or to hedge payment, currency, rate, spread or other exposure, as desired by the qualified public entity. Such contracts may be entered into by the qualified public entity in connection with, or incidental to, entering into, maintaining or amending (i) any agreement that secures notes or bonds of the qualified public entity and is authorized or permitted by law or (ii) any investment or contract providing for any investment otherwise authorized or permitted by law.

Such contracts and arrangements may contain such payment, security, termination, default, remedy, and other terms and conditions as determined by the qualified public entity, after giving due consideration to the creditworthiness of the counterparty or other obligated party, including any rating by a nationally recognized rating agency, and any other criteria as may be appropriate.

In connection with, or incidental to, any of these contracts or arrangements, the qualified public entity may enter into credit enhancement or liquidity agreements with such terms and conditions as the qualified public entity shall determine.

ENGROSSED

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