

ASSEMBLY BILL NO. 152—ASSEMBLYMAN KRAMER  
(BY REQUEST)

PREFILED FEBRUARY 13, 2017

Referred to Committee on Government Affairs

SUMMARY—Revises various provisions governing the investment of public money. (BDR 31-782)

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 provisions governing the investment of money held by the State or certain political subdivisions of the State; 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 certain local governments are authorized to make with money in certain funds.  
3 (NRS 355.060, 355.140, 355.170, 355.171) Existing law allows the money of this  
4 State, the State Insurance Fund and certain 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 is required to actually change hands. (NRS  
10 355.140, 355.170) Existing law also prohibits the investment of money of this State  
11 or the State Permanent School Fund, except for money invested by the Public  
12 Employees’ Retirement System, in reverse-repurchase agreements. (NRS 355.060,  
13 355.140)

14 **Section 1** of this bill removes the prohibition on investing any part of the State  
15 Permanent School Fund in a reverse-repurchase agreement, but does not authorize  
16 the State Treasurer to make such an investment. **Sections 2 and 3** of this bill  
17 authorize the State Treasurer and the governing body of a local government to  
18 invest certain public money in a reverse-repurchase agreement on the condition  
19 that: (1) the appointed custodian is only authorized to transfer the securities  
20 underlying the reverse-repurchase agreement at or following the payment of the  
21 purchase price; and (2) the value of the securities are required to be marked to the  
22 market weekly and, if the value of the securities increases, additional payments are  
23 required to be made by the counterparty so that the value of the money transferred  
24 to the State or local government is equal to the value of the securities. **Sections 2**



\* A B 1 5 2 \*

25 **and 3** also eliminate the requirement that a repurchase agreement only be entered  
26 into with a counterparty who is designated by the Federal Reserve Bank of New  
27 York as a "primary" dealer in United States government securities. **Section 2**  
28 eliminates the authority to invest money of the State Insurance Fund in repurchase  
29 agreements. Finally, **section 3** eliminates the prohibition against investing the  
30 money of a local government in a repurchase agreement which involves securities  
31 that have a term to maturity at the time of purchase in excess of 10 years.

32 Existing law authorizes the governing body of certain local governments to  
33 invest in certain commercial paper issued by corporations and depository  
34 institutions operating in the United States as long as the aggregate value of such  
35 investments does not exceed 20 percent of the local government's portfolio. (NRS  
36 355.170) **Section 3** increases to 25 percent the maximum percentage of the local  
37 government's portfolio that is authorized to be invested in such commercial paper.  
38 **Section 3** also eliminates the requirement that, when the governing body of a local  
39 government purchases commercial paper issued by certain corporations or  
40 depository institutions as an investment of its money, the purchase is required to be  
41 made from a registered broker-dealer.

42 Existing law authorizes a board of county commissioners, a board of trustees of  
43 a county school district or the governing body of an incorporated city to invest in  
44 certain notes, bonds and other unconditional obligations issued by a corporation  
45 organized and operating in the United States. Under existing law, such investments  
46 are limited, in aggregate, to not more than 20 percent of the total investment  
47 portfolio of the local government and not more than 25 percent of such investments  
48 are authorized to be issued by a single corporation. (NRS 355.171) **Section 4** of this  
49 bill additionally authorizes those local governments to purchase such notes, bonds  
50 and other unconditional obligations that are issued by banks licensed by the United  
51 States or a state and operating in the United States. **Section 4** also increases to 25  
52 percent the maximum percentage of the local government's portfolio that is  
53 authorized to be invested in such investments and reduces to 20 percent the  
54 maximum percentage of such investments that are authorized to be issued by a  
55 single corporation or bank.

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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.



- 1 (e) United States treasury notes.
- 2 (f) Farm mortgage loans fully insured and guaranteed by the  
3 Farm Service Agency of the United States Department of  
4 Agriculture.
- 5 (g) Loans at a rate of interest of not less than 6 percent per  
6 annum, secured by mortgage on agricultural lands in this state of not  
7 less than three times the value of the amount loaned, exclusive of  
8 perishable improvements, of unexceptional title and free from all  
9 encumbrances.
- 10 (h) Money market mutual funds that:
- 11 (1) Are registered with the Securities and Exchange  
12 Commission;
- 13 (2) Are rated by a nationally recognized rating service as  
14 "AAA" or its equivalent; and
- 15 (3) Invest only in securities issued or guaranteed as to  
16 payment of principal and interest by the Federal Government, or its  
17 agencies or instrumentalities, or in repurchase agreements that are  
18 fully collateralized by such securities.
- 19 (i) Common or preferred stock of a corporation created by or  
20 existing under the laws of the United States or of a state, district or  
21 territory of the United States, if:
- 22 (1) The stock of the corporation is:
- 23 (I) Listed on a national stock exchange; or
- 24 (II) Traded in the over-the-counter market, if the price  
25 quotations for the over-the-counter stock are quoted by the National  
26 Association of Securities Dealers Automated Quotations System  
27 (NASDAQ);
- 28 (2) The outstanding shares of the corporation have a total  
29 market value of not less than \$50,000,000;
- 30 (3) The maximum investment in stock is not greater than 50  
31 percent of the book value of the total investments of the State  
32 Permanent School Fund;
- 33 (4) Except for investments made pursuant to paragraph (k),  
34 the amount of an investment in a single corporation is not greater  
35 than 3 percent of the book value of the assets of the State Permanent  
36 School Fund; and
- 37 (5) Except for investments made pursuant to paragraph (k),  
38 the total amount of shares owned by the State Permanent School  
39 Fund is not greater than 5 percent of the outstanding stock of a  
40 single corporation.
- 41 (j) A pooled or commingled real estate fund or a real estate  
42 security that is managed by a corporate trustee or by an investment  
43 advisory firm that is registered with the Securities and Exchange  
44 Commission, either of which may be retained by the State Treasurer  
45 as an investment manager. The shares and the pooled or



1 commingled fund must be held in trust. The total book value of an  
2 investment made under this paragraph must not at any time be  
3 greater than 5 percent of the total book value of all investments of  
4 the State Permanent School Fund.

5 (k) Mutual funds or common trust funds that consist of any  
6 combination of the investments listed in paragraphs (a) to (j),  
7 inclusive.

8 (l) The limited partnerships or limited-liability companies  
9 described in NRS 355.280.

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

22 4. In addition to the investments authorized by subsection 2,  
23 the State Treasurer may make loans of money from the  
24 State Permanent School Fund to school districts pursuant to  
25 NRS 387.526.

26 ~~5. No part of the State Permanent School Fund may be~~  
27 ~~invested pursuant to a reverse repurchase agreement.~~

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

29 355.140 1. In addition to other investments provided for by a  
30 specific statute, the following bonds and other securities are proper  
31 and lawful investments of any of the money of this state, of its  
32 various departments, institutions and agencies, and of the State  
33 Insurance Fund:

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

35 (b) Bonds, notes, debentures and loans if they are underwritten  
36 by or their payment is guaranteed by the United States;

37 (c) Obligations or certificates of the United States Postal  
38 Service, the Federal National Mortgage Association, the  
39 Government National Mortgage Association, the Federal  
40 Agricultural Mortgage Corporation, the Federal Home Loan Banks,  
41 the Federal Home Loan Mortgage Corporation or the Student Loan  
42 Marketing Association, whether or not guaranteed by the United  
43 States;

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

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



1 (f) Bonds of incorporated cities in this state or in other states of  
2 the Union, including special assessment district bonds if those bonds  
3 provide that any deficiencies in the proceeds to pay the bonds are to  
4 be paid from the general fund of the incorporated city;

5 (g) General obligation bonds of irrigation districts and drainage  
6 districts in this state which are liens upon the property within those  
7 districts, if the value of the property is found by the board or  
8 commission making the investments to render the bonds financially  
9 sound over all other obligations of the districts;

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

11 (i) Bonds of any general improvement district whose population  
12 is 200,000 or more and which is situated in two or more counties of  
13 this state or of any other state, if:

14 (1) The bonds are general obligation bonds and constitute a  
15 lien upon the property within the district which is subject to  
16 taxation; and

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

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

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

26 (l) Farm loan bonds, consolidated farm loan bonds, debentures,  
27 consolidated debentures and other obligations issued by federal land  
28 banks and federal intermediate credit banks under the authority of  
29 the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012,  
30 inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act  
31 of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds,  
32 debentures, consolidated debentures and other obligations issued by  
33 banks for cooperatives under the authority of the Farm Credit Act of  
34 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm  
35 Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, excluding  
36 such money thereof as has been received or which may be received  
37 hereafter from the Federal Government or received pursuant to some  
38 federal law which governs the investment thereof;

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

41 (n) Bankers' acceptances of the kind and maturities made  
42 eligible by law for rediscount with Federal Reserve banks or trust  
43 companies which are members of the Federal Reserve System,  
44 except that acceptances may not exceed 180 days' maturity, and



1 may not, in aggregate value, exceed 20 percent of the total par value  
2 of the portfolio as determined on the date of purchase;

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

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

9 (2) Is rated by a nationally recognized rating service as "A-  
10 1," "P-1" or its equivalent, or better,

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

16 (p) Notes, bonds and other unconditional obligations for the  
17 payment of money, except certificates of deposit that do not qualify  
18 pursuant to paragraph (m), issued by corporations organized and  
19 operating in the United States or by depository institutions licensed  
20 by the United States or any state and operating in the United States  
21 that:

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

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

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

27 ↪ except that investments pursuant to this paragraph may not, in  
28 aggregate value, exceed 20 percent of the total par value of the  
29 portfolio, and if the rating of an obligation is reduced to a level that  
30 does not meet the requirements of this paragraph, it must be sold as  
31 soon as possible;

32 (q) Money market mutual funds which:

33 (1) Are registered with the Securities and Exchange  
34 Commission;

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

37 (3) Invest only in securities issued by the Federal  
38 Government or agencies of the Federal Government or in repurchase  
39 agreements fully collateralized by such securities;

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

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

44 2. Repurchase agreements *and reverse-repurchase agreements*  
45 are proper and lawful investments of money of the State ~~and the~~



1 ~~State Insurance Fund~~ for the purchase or sale of securities which  
2 are negotiable and of the types listed in subsection 1 if made in  
3 accordance with the following conditions:

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

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

8 (2) The State Treasurer has determined to have adequate  
9 capitalization and earnings and appropriate assets to be highly credit  
10 worthy; and

11 (3) Have executed a written master repurchase agreement *or*  
12 *master reverse-repurchase agreement, as applicable*, in a form  
13 satisfactory to the State Treasurer and the State Board of Finance  
14 pursuant to which all repurchase agreements *or reverse-repurchase*  
15 *agreements* are entered into. The master repurchase agreement *and*  
16 *master reverse-repurchase agreement* must require the prompt  
17 delivery to the State Treasurer and the appointed custodian of  
18 written confirmations of all transactions conducted thereunder, and  
19 must be developed giving consideration to the Federal Bankruptcy  
20 Act, 11 U.S.C. §§ 101 et seq.

21 (b) In all repurchase agreements:

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

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

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

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

34 (III) Hold the securities separate from the assets of the  
35 custodian; and

36 (IV) Report periodically to the State concerning the  
37 market value of the securities;

38 (3) The market value of the purchased securities must exceed  
39 102 percent of the repurchase price to be paid by the counterparty  
40 and the value of the purchased securities must be marked to the  
41 market weekly;

42 (4) The date on which the securities are to be repurchased  
43 must not be more than 90 days after the date of purchase; and

44 (5) The purchased securities must not have a term to maturity  
45 at the time of purchase in excess of 10 years.



1 (c) *In all reverse-repurchase agreements:*

2 (1) *The State must enter into a written contract with the*  
3 *appointed custodian which authorizes the custodian to transfer the*  
4 *securities underlying the reverse-repurchase agreement only at or*  
5 *following the time at which money to pay the purchase price of the*  
6 *securities is transferred; and*

7 (2) *The value of the purchased securities must be marked to*  
8 *the market weekly and, if the value of the purchased securities*  
9 *increases, the counterparty must make additional payments to*  
10 *maintain the amount of money received by the State at 100 percent*  
11 *of the value of the securities delivered.*

12 3. 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; *and*

17 (2) ~~Designated by the Federal Reserve Bank of New York~~  
18 ~~as 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 ~~for 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 or 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:

41 (1) If:

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

44 (II) The obligation has been rated "A" or higher by one or  
45 more nationally recognized bond credit rating agencies; or



1 (2) If the obligation is secured by the proceeds that are paid  
2 into the tax increment account of a tax increment area created by a  
3 municipality pursuant to NRS 278C.220.

4 (k) Commercial paper issued by a corporation organized and  
5 operating in the United States or by a depository institution licensed  
6 by the United States or any state and operating in the United States  
7 that ~~+~~

8 ~~— (1) Is purchased from a registered broker-dealer;~~

9 ~~— (2) At~~ *at* the time of purchase has a remaining term to  
10 maturity of no more than 270 days ~~+~~ and

11 ~~+(3) Is~~ *is* rated by a nationally recognized rating service as  
12 “A-1,” “P-1” or its equivalent, or better,

13 ~~+~~ ~~+~~ except that investments pursuant to this paragraph may not, in  
14 aggregate value, exceed ~~20~~ *25* percent of the total portfolio as  
15 determined on the date of purchase, and if the rating of an obligation  
16 is reduced to a level that does not meet the requirements of this  
17 paragraph, it must be sold as soon as possible.

18 (l) Money market mutual funds which:

19 (1) Are registered with the Securities and Exchange  
20 Commission;

21 (2) Are rated by a nationally recognized rating service as  
22 “AAA” or its equivalent; and

23 (3) Invest only in:

24 (I) Securities issued by the Federal Government or  
25 agencies of the Federal Government;

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

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

34 (m) Obligations of the Federal Agricultural Mortgage  
35 Corporation.

36 2. Repurchase agreements *and reverse-repurchase agreements*  
37 are proper and lawful investments of money of a governing body of  
38 a local government for the purchase or sale of securities which are  
39 negotiable and of the types listed in subsection 1 if made in  
40 accordance with the following conditions:

41 (a) The governing body of the local government shall designate  
42 in advance and thereafter maintain a list of qualified counterparties  
43 which:

44 (1) Regularly provide audited and, if available, unaudited  
45 financial statements;



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

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

14 (b) In all repurchase agreements:

15 (1) At or before the time money to pay the purchase price is  
16 transferred, title to the purchased securities must be recorded in the  
17 name of the appointed custodian, or the purchased securities must be  
18 delivered with all appropriate, executed transfer instruments by  
19 physical delivery to the custodian;

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

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

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

28 (III) Hold the securities separate from the assets of the  
29 custodian; and

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

32 (3) The market value of the purchased securities must exceed  
33 102 percent of the repurchase price to be paid by the counterparty  
34 and the value of the purchased securities must be marked to the  
35 market weekly; *and*

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

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

40 (c) *In all reverse-repurchase agreements:*

41 (1) *The governing body of the local government must enter*  
42 *into a written contract with the appointed custodian which*  
43 *authorizes the custodian to transfer the securities underlying the*  
44 *reverse-repurchase agreement only at or following the time at*



1 *which money to pay the purchase price of the securities is*  
2 *transferred; and*

3 *(2) The value of the purchased securities must be marked to*  
4 *the market weekly and, if the value of the purchased securities*  
5 *increases, the counterparty must make additional payments to*  
6 *maintain the amount of money received by the local government at*  
7 *100 percent of the value of the securities delivered.*

8 3. The securities described in paragraphs (a), (b) and (c) of  
9 subsection 1 and the repurchase agreements described in subsection  
10 2 may be purchased when, in the opinion of the governing body of  
11 the local government, there is sufficient money in any fund of the  
12 local government to purchase those securities and the purchase will  
13 not result in the impairment of the fund for the purposes for which it  
14 was created.

15 4. When the governing body of the local government has  
16 determined that there is available money in any fund or funds for the  
17 purchase of bonds as set out in subsection 1 or 2, those purchases  
18 may be made and the bonds paid for out of any one or more of the  
19 funds, but the bonds must be credited to the funds in the amounts  
20 purchased, and the money received from the redemption of the  
21 bonds, as and when redeemed, must go back into the fund or funds  
22 from which the purchase money was taken originally.

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

27 6. The governing body of a local government may invest any  
28 money apportioned into funds and not invested pursuant to  
29 subsection 3 and any money not apportioned into funds in bills and  
30 notes of the United States Treasury, the maturity date of which is  
31 not more than 1 year after the date of investment. These investments  
32 must be considered as cash for accounting purposes, and all the  
33 interest earned on them must be credited to the general fund of the  
34 local government.

35 7. This section does not authorize the investment of money  
36 administered pursuant to a contract, debenture agreement or grant in  
37 a manner not authorized by the terms of the contract, agreement or  
38 grant.

39 8. As used in this section:

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

43 (1) A registered broker-dealer; *and*

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



1 ~~(3)~~ In full compliance with all applicable capital  
2 requirements.

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

5 (c) "Repurchase agreement" means a purchase of securities by  
6 the governing body of a local government from a counterparty  
7 which commits to repurchase those securities or securities of the  
8 same issuer, description, issue date and maturity on or before a  
9 specified date for a specified price.

10 (d) *"Reverse-repurchase agreement" means a purchase of*  
11 *securities by a counterparty from the governing body of a local*  
12 *government which commits to repurchase those securities or*  
13 *securities of the same issuer, description, issue date and maturity*  
14 *on or before a specified date for a specified price.*

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

16 355.171 1. Except as otherwise provided in this section, a  
17 board of county commissioners, a board of trustees of a county  
18 school district or the governing body of an incorporated city may  
19 purchase for investment:

20 (a) Notes, bonds and other unconditional obligations for the  
21 payment of money issued by corporations organized and operating  
22 in the United States *or by banks licensed by the United States or*  
23 *any state and operating in the United States* that:

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

25 (2) At the time of purchase have a remaining term to  
26 maturity of no more than 5 years; and

27 (3) Are rated by a nationally recognized rating service as "A"  
28 or its equivalent, or better.

29 (b) Collateralized mortgage obligations that are rated by a  
30 nationally recognized rating service as "AAA" or its equivalent.

31 (c) Asset-backed securities that are rated by a nationally  
32 recognized rating service as "AAA" or its equivalent.

33 2. With respect to investments purchased pursuant to paragraph  
34 (a) of subsection 1:

35 (a) Such investments must not, in aggregate value, exceed ~~20~~  
36 **25** percent of the total portfolio as determined on the date of  
37 purchase;

38 (b) Not more than ~~25~~ **20** percent of such investments may be in  
39 notes, bonds and other unconditional obligations issued by any one  
40 corporation ~~or bank~~; and

41 (c) If the rating of an obligation is reduced to a level that does  
42 not meet the requirements of that paragraph, the obligation must be  
43 sold as soon as possible.

44 3. Subsections 1 and 2 do not:



- 1 (a) Apply to a:  
2 (1) Board of county commissioners of a county whose  
3 population is less than 100,000;  
4 (2) Board of trustees of a county school district in a county  
5 whose population is less than 100,000; or  
6 (3) Governing body of an incorporated city whose population  
7 is less than 150,000,  
8 ↪ unless the purchase is effected by the State Treasurer pursuant to  
9 his or her investment of a pool of money from local governments or  
10 by an investment adviser who is registered with the Securities and  
11 Exchange Commission and approved by the State Board of Finance.  
12 (b) Authorize the investment of money administered pursuant to  
13 a contract, debenture agreement or grant in a manner not authorized  
14 by the terms of the contract, agreement or grant.  
15 **Sec. 5.** This act becomes effective on July 1, 2017.

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\* A B 1 5 2 \*



