

**REVISED PROPOSED REGULATION OF
THE STATE BOARD OF FINANCE**

LCB File No. R069-09

September 30, 2009

EXPLANATION – Matter in *italics* is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: §1, NRS 355.178.

A REGULATION relating to local governmental finances; establishing prerequisites for the granting by the State Board of Finance of authorization for certain local governments to lend securities from their investment portfolios; and providing other matters properly relating thereto.

Section 1. Chapter 355 of NAC is hereby amended by adding thereto a new section to read as follows:

1. The State Board of Finance will not authorize the governing body of a city or consolidated municipality whose population is 25,000 or more but less than 150,000 to lend securities from its investment portfolio pursuant to NRS 355.178 unless the city or consolidated municipality:

(a) Has adopted a written policy for investment which:

(1) Sets forth the procedures to be used for such lending; and

(2) Has been approved by the State Board of Finance; and

(b) Uses an agent to manage such lending who meets the requirements of subsections 2 and 3.

2. If all securities received as collateral from the borrower and investments of cash received as collateral from the borrower are limited to instruments issued by the Federal

Government and its agencies and to repurchase agreements and money market accounts based upon such instruments, and those instruments, agreements and accounts will mature no later than the contractual return date of the loaned securities, the agent must:

(a) Be:

(1) Registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, 15 U.S.C. §§ 80b-1 et seq., as amended; or

(2) A bank or trust company which is organized and either operating or licensed to operate in the United States in accordance with federal law or the law of any state;

(b) Be chosen by the city or consolidated municipality through a formal process of competitive selection;

(c) Enter into a binding contract with the city or consolidated municipality which obligates the agent to abide by the terms of the written policy described in paragraph (a) of subsection 1; and

(d) Agree with the city or consolidated municipality to exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the investment of their money, considering the probable income as well as the probable safety of their capital.

3. If any securities received as collateral from the borrower or investments of cash received as collateral from the borrower are not limited to the instruments, agreements and accounts described in subsection 2, the agent must:

(a) Meet all the requirements set forth in subsection 2;

(b) Be operating a securities lending program which has been in operation for at least 5 years; and

(c) Have at least five clients participating in its securities lending program, at least one of whom is a public institution whose portfolio has a book value of not less than \$100,000,000.