

CHAPTER 945

H.B. No. 1793

AN ACT

relating to the custodians of securities pledged to secure state funds.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Sections 404.031(f) and (g), Government Code, are amended to read as follows:

(f) Instead of depositing pledged securities with the treasurer, a state depository may deposit pledged securities with the Federal Reserve Bank of Dallas *or the Federal Home Loan Bank of Dallas*. The securities shall be held by the bank to secure funds deposited by the treasurer in the state depository pledging the securities. When the pledged securities are deposited, the ~~bank [Federal Reserve Bank of Dallas]~~ may apply book entry to the securities. The records of the ~~bank [Federal Reserve Bank of Dallas]~~ shall at all times reflect the name of the state depository depositing the pledged securities, and the bank shall issue an advice of transaction to the treasurer and the state depository pledging the securities.

(g) In this section, "permitted institution" means a Federal Reserve Bank, *a Federal Home Loan Bank*, a "clearing corporation" as defined by Section 8.102(c), Business & Commerce Code, the Texas Treasury Safekeeping Trust Company, a state depository, and any state or nationally chartered bank or trust company that is controlled by a bank holding company that controls a state depository. Neither the state depository that pledges the securities nor any bank that is controlled by a bank holding company that controls that state depository may be the permitted institution with respect to the particular securities pledged by that state depository. A custodian holding in trust securities of a state depository under Subsection (e) may deposit the pledged securities with a permitted institution if the permitted institution is the third party to the transaction. The securities shall be held by the permitted institution to secure funds deposited by the treasurer in the state depository pledging the securities. On receipt of the securities, the permitted institution shall immediately issue to the custodian an advice of transaction or other document evidencing the deposit of the securities. When the pledged securities held by a custodian are deposited, the permitted institution may apply book entry procedures to the securities. The records of the permitted institution shall at all times reflect the name of the custodian depositing the pledged securities. The custodian shall immediately issue and deliver to the treasurer controlled trust receipts for the pledged securities. The trust receipts shall indicate that the custodian has deposited with the permitted institution the pledged securities held in trust for the state depository pledging the securities. A legal action or proceeding brought by or against the state, arising out of or in connection with the duties of the state depository, the custodian, or other permitted institution under this subchapter must be brought and maintained in state district court in Travis County. In this section, "control" and "bank holding company" have the meanings assigned by Article 2, Chapter I, The Texas Banking Code (Article 342-102, Vernon's Texas Civil Statutes).

SECTION 2. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed by the House on April 23, 1993, by a non-record vote; passed by the Senate on May 24, 1993: Yeas 31, Nays 0.

Approved June 19, 1993.

Effective Aug. 30, 1993, 90 days after date of adjournment.