

State Bar of Texas
Proposed Revisions to Board Policy Manual
Investment Policy Excerpt

3.05 Investments

3.05.05 Approved Investments.

(C) Collateralized Deposits: The State Bar will monitor all deposits that are held with the State Bar's custodian bank(s) to ensure that all deposits are fully insured or collateralized, as required by the Public Funds Collateral Act Section 2257, of the Texas Government Code ("PFCA"). Pursuant to Section 2247, the State Bar will require the custodian bank(s) to pledge securities that are authorized under Section 2256.009 of the Public Funds Investment Act ("PFIA"). In accord with the PFCA, deposits that exceed the FDIC insurance limit ~~of \$100,000~~ will be collateralized by the deposit institution holding such deposits. Since, generally all deposits are fully invested in securities, the collateralization of such invested deposits will not be necessary when such deposits are fully and continuously invested in securities. If there are any funds awaiting investment, such funds should be fully collateralized at all times pursuant to the PFCA. The custodian bank(s) will be notified regarding the collateralization and investment policy requirements. The State Bar's expectation of total and full compliance with the PFIA and the PFCA is of paramount important and such expectation will be clearly communicated to custodian bank(s). Financial institutions serving as depositories will be required to sign an *Agreement with the State Bar as its safekeeping agent for the collateral, perfecting the State Bar's rights to the collateral in case of default, bankruptcy or closure.*

(E) *Investment Concentrations.* The State Bar intends to follow the guidelines described below on investment concentrations within the investment portfolio (IP):

(3) *Certificates of Deposit.* Up to ~~20%~~ 30% of the IP, but no more than 5% with any single issuer.

(7) *Commercial Paper.* Up to ~~45%~~ 30% of the IP, but no more than 5% with any single issuer.

(J) *Monitoring Rating Changes.* Pursuant to the PFIA, Section 2256.021, an investment that requires a minimum rating under State law does not qualify as an authorized investment during the period the investment does not have the minimum rating. The State Bar's Investment Manager will be responsible for monitoring ratings of all State Bar investments placed with the Investment Manager. The Investment Manager will maintain a process whereby the State Bar's Investment Officer will be promptly notified in the event of a downgrade of an investment below State law or State Bar's Investment Policy limits. The Investment Manager will provide a recommendation on how best to resolve the issue with the intent to take all prudent measures that are consistent with State Bar's Investment Policy to liquidate an investment that does not have the minimum rating.