Recent Legislative Changes

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What’s New in State Code

- Credit Rating Agency Modifiers
- Private sector assistance placing deposits
- Supranationalists
- Security suitability
- Depository institution balance report
- CRA rating change
Chapter 366, Statutes of 2016 (SB 974)

State Code now makes reference to the rating category only

The 3 major NRSROs use letter rating categories
- Fitch (AAA to A)
- Moody’s (Aaa to A)
- Standard & Poor’s (AAA to A)

Each use a modifier within each whole letter rating category
- Fitch (+ or -)
- Moody’s (1, 2, or 3)
- Standard & Poor’s (+ or -)
Chapter 181, Statutes of 2015 (AB 283)

Extends the authority to use a private sector entity to assist placing deposits to January 1, 2021

- Invest up to 30% in placement service certificates of deposit (CDs)
- Invest 30% in negotiable certificates of deposit
Chapter 59, Statutes of 2014 (AB 1933)

Invest in US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by
- International Bank for Reconstruction and Development (IBRD)
- International Finance Corporation (IFC)
- Inter-American Development Bank (IADB)

- Maximum 30% and 5 year maturity
- Minimum credit rating of AA
Financial Industry Regulatory Authority (FINRA) Rule 2111

A broker must perform reasonable diligence to understand the nature of the recommended security or investment and determine whether the recommendation is suitable.

A broker must have a reasonable basis to believe that a recommendation of a security or investment is suitable for the particular customer based on the customer’s investment profile.
- Chapter 214, Statutes of 2014 (AB 2298)

- Depository institutions that accept local agency deposits to submit their weekly balance report of those deposits to the Commissioner of Business Oversight by fax or email in addition to hand-delivery or mail
CRA Rating and 53635.2

- State Code 53635.2 requires a minimum CRA rating of “satisfactory” by appropriate federal financial supervisory agency.

- The Office of the Comptroller of the Currency downgraded the final rating of Wells Fargo Bank to “Needs to Improve”
  - Which Local Agencies does this effect
    - Local Agency definition under 53630
    - Local Agency definition under 53635
  - What does this effect
    - Deposits
    - Investment
Legislative Resources

- California Debt and Investment Advisory Commission
  - Debt Line Newsletter
  - Local Agency Investment Guidelines
    - [http://www.treasurer.ca.gov/cdiac/LAIG/guideline.pdf](http://www.treasurer.ca.gov/cdiac/LAIG/guideline.pdf)

- California State Treasurer
  - Intersections Newsletter
Legislative Resources

- Financial Industry Regulatory Authority - FINRA
  - Regulatory Notice 12-25, Suitability
    - http://www.finra.org/file/regulatory-notice-12-25