

Recent Legislative Changes

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Martin Cassell, CFA
CEO, Chief Investment Officer



What's New in State Code

- Credit Rating Agency Modifiers
- Private sector assistance placing deposits
- Supranationals
- Security suitability
- Depository institution balance report
- CRA rating change



Credit Rating Agency Modifiers, 2016

- 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 -)



Private Sector Assistance Placing Deposits, 2016

- 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



Depository Institution Balance Report, 2014

- 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



- California Debt and Investment Advisory Commission
 - Debt Line Newsletter
 - <http://www.treasurer.ca.gov/cdiac/debtpubs/2017/201703.pdf>
 - Local Agency Investment Guidelines
 - <http://www.treasurer.ca.gov/cdiac/LAIG/guideline.pdf>
- California State Treasurer
 - Intersections Newsletter
 - <http://www.treasurer.ca.gov/newsletter/2017/201703/lead.asp>



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