

From: [Thorley, Wayne](#)
To: [Thorley, Wayne](#)
Subject: SB 68 - Reverse Repurchase Agreements
Date: Sunday, March 21, 2021 7:07:08 PM

From: Tara R. Hagan <trhagan@nevadatreasurer.gov>
Sent: Thursday, March 18, 2021 10:05 AM
To: Thorley, Wayne <Wayne.Thorley@lcb.state.nv.us>
Cc: Haartz, Alex <ahaartz@lcb.state.nv.us>
Subject: RE: SB 68 - Reverse Repurchase Agreements

Hi, Wayne.

Please see our suggested language below (striking 4 below is in current bill). I'm happy to work with legal on the amendment and also noticed statute is inconsistent in its definition of a repurchase agreement. Section 2 notes a repurchase agreement is both the purchase of or sale of securities; however, 3(b) defines it solely as the 'purchase' of securities. A reverse repurchase is the sale of securities, so I'm not sure how legal wants to handle 3(b). Thank so much!

2. Repurchase **and reverse repurchase agreements** are proper and lawful investments of money of the State and the State Insurance Fund for the purchase or sale of securities which are negotiable and of the types listed in subsection 1 if made in accordance with the following conditions:

(a) The State Treasurer shall designate in advance and thereafter maintain a list of qualified counterparties which:

(1) Regularly provide audited and, if available, unaudited financial statements to the State Treasurer;

(2) The State Treasurer has determined to have adequate capitalization and earnings and appropriate assets to be highly credit worthy; and

(3) Have executed a written master repurchase agreement in a form satisfactory to the State Treasurer and the State Board of Finance pursuant to which all repurchase agreements are entered into. The master repurchase agreement must require the prompt delivery to the State Treasurer and the appointed custodian of written confirmations of all transactions conducted thereunder, and must be developed giving consideration to the Federal Bankruptcy Act, 11 U.S.C. §§ 101 et seq.

(b) In all repurchase agreements:

(1) At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of the appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian;

(2) The State must enter into a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:

(I) Disburse cash for repurchase agreements only upon receipt of the underlying securities;

(II) Notify the State when the securities are marked to the market if the required margin on the agreement is not maintained;

(III) Hold the securities separate from the assets of the custodian; and

(IV) Report periodically to the State concerning the market value of the securities;

(3) The market value of the purchased securities must exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly;

(4) The date on which the securities are to be repurchased must not be more than 90 days after the date of purchase; and

(5) The purchased securities must not have a term to maturity at the time of purchase in excess of 10 years.

(c) In all reverse repurchase agreements:

(1) At or before the time securities are delivered with all appropriate, executed transfer instruments to the custodian, the proceeds must be received in accordance with the agreement.

(2) Funds must be matched to anticipated cashflows adequate to liquidate the transaction consistent with the length of the agreement.

(3) The length of the agreement must not be more than 90 days in duration.

3. As used in subsection 2:

(a) "Counterparty" means a bank organized and operating or licensed to operate in the United States pursuant to federal or state law or a securities dealer which is:

(1) A registered broker-dealer;

(2) Designated by the Federal Reserve Bank of New York as a "primary" dealer in United States

EXHIBIT B Senate Committee on Finance ID# 645	
Date: 3-22-2021	Total pages: 2
Exhibit begins with: B1	thru: B2

government securities; and

(3) In full compliance with all applicable capital requirements.

(b) "Repurchase agreement" means a purchase of securities by the State or State Insurance Fund from a counterparty which commits to repurchase those securities or securities of the same issuer, description, issue date and maturity on or before a specified date for a specified price.

~~4. No money of this state may be invested pursuant to a reverse repurchase agreement, except money invested pursuant to [chapter 286](#) of NRS.~~

Tara Hagan

Chief Deputy Treasurer – Office of the State Treasurer

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