

## Chapter 149

H.B. No. 1701

### AN ACT

1  
2 relating to the presentation of the investment policy of certain  
3 governmental entities to a business organization that conducts  
4 investment transactions for the entity.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Sections 2256.005(k) and (l), Government Code,  
7 are amended to read as follows:

8 (k) A written copy of the investment policy shall be  
9 presented to any business organization [~~person~~] offering to engage  
10 in an investment transaction with an investing entity [~~or to an~~  
11 ~~investment management firm under contract with an investing entity~~  
12 ~~to invest or manage the entity's investment portfolio~~]. For  
13 purposes of this subsection and Subsection (l), "business  
14 organization" means an [~~a business organization includes~~]  
15 investment pool or [~~pools and an~~] investment management firm under  
16 contract with an investing entity to invest or manage the entity's  
17 investment portfolio that has accepted authority granted by the  
18 entity under the contract to exercise investment discretion in  
19 regard to the investing entity's funds. Nothing in this subsection  
20 relieves the investing entity of the responsibility for monitoring  
21 the investments made by the investing entity to determine that they  
22 are in compliance with the investment policy. The qualified  
23 representative of the business organization offering to engage in  
24 an investment transaction with an investing entity shall execute a

1 written instrument in a form acceptable to the investing entity and  
2 the business organization substantially to the effect that the  
3 business organization has:

4 (1) received and reviewed the investment policy of the  
5 entity; and

6 (2) acknowledged that the business organization has  
7 implemented reasonable procedures and controls in an effort to  
8 preclude investment transactions conducted between the entity and  
9 the organization that are not authorized by the entity's investment  
10 policy, except to the extent that this authorization:

11 (A) is dependent on an analysis of the makeup of  
12 the entity's entire portfolio;

13 (B) ~~[or]~~ requires an interpretation of  
14 subjective investment standards; or

15 (C) relates to investment transactions of the  
16 entity that are not made through accounts or other contractual  
17 arrangements over which the business organization has accepted  
18 discretionary investment authority.

19 (1) The investment officer of an entity may not acquire or  
20 otherwise obtain any authorized investment described in the  
21 investment policy of the investing entity from a business  
22 organization that ~~[person who]~~ has not delivered to the entity the  
23 instrument required by Subsection (k).

24 SECTION 2. The changes in law made by this Act apply only to  
25 a contract for an investment transaction entered into with a  
26 business organization under Chapter 2256, Government Code, on or  
27 after the effective date of this Act. A contract entered into before

1 the effective date of this Act is subject to the law in effect at the  
2 time the contract was entered into, and the former law is continued  
3 in effect for that purpose.

4 SECTION 3. This Act takes effect September 1, 2017.



**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 5, 2017**

**TO:** Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB1701** by Parker (Relating to the presentation of the investment policy of certain governmental entities to a business organization that conducts investment transactions for the entity.), **As Engrossed**

**No fiscal implication to the State is anticipated.**

**Local Government Impact**

According to the Texas Municipal League, the fiscal impact to municipalities to implement the provisions of the bill is not anticipated to be significant.

**Source Agencies:** 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 326 Texas Emergency Services Retirement System, 347 Public Finance Authority, 580 Water Development Board, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

**LBB Staff:** UP, CL, JJ, BRi

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 6, 2017**

**TO:** Honorable Tan Parker, Chair, House Committee on Investments & Financial Services

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB1701** by Parker (Relating to the presentation of the investment policy of certain governmental entities to a business organization that conducts investment transactions for the entity.), **Committee Report 1st House, Substituted**

**No fiscal implication to the State is anticipated.**

**Local Government Impact**

According to the Texas Municipal League, the fiscal impact to municipalities to implement the provisions of the bill is not anticipated to be significant.

**Source Agencies:** 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 326 Texas Emergency Services Retirement System, 347 Public Finance Authority, 580 Water Development Board, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

**LBB Staff:** UP, CL, JJ, BRi

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**March 27, 2017**

**TO:** Honorable Tan Parker, Chair, House Committee on Investments & Financial Services

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB1701** by Parker (Relating to the presentation of the investment policy of certain governmental entities to a business organization that conducts investment transactions for the entity.), **As Introduced**

**No fiscal implication to the State is anticipated.**

**Local Government Impact**

According to the Texas Municipal League, the fiscal impact to municipalities to implement the provisions of the bill is not anticipated to be significant.

**Source Agencies:** 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 326 Texas Emergency Services Retirement System, 347 Public Finance Authority, 580 Water Development Board, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

**LBB Staff:** UP, CL, JJ, BRi, TSI, JGA