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TITLE 1. GENERAL [100 - 7931.000] (Title 1 enacted by Stats. 1943, Ch. 134.)

DIVISION 8. SECURITIES OWNED BY STATE AGENCIES [7600 - 7605] (Division 8 added by Stats. 1975, Ch. 1214.)

CHAPTER 1. Investment of Securities Owned by State Agencies [7600 - 7605] (Chapter 1 added by Stats. 1975, Ch. 1214.)

ARTICLE 1. General [7600 - 7601] (Article 1 added by Stats. 1975, Ch. 1214.)

7600. It is the intent of the Legislature that:

- (a) Specified state agencies be authorized to invest marketable securities by entering into security loan agreements;
- (b) State agencies charged with such authority exercise prudence in making such agreements;
- (c) Sound fiscal management be established with respect to transactions involving security agreements.

(Added by Stats. 1975, Ch. 1214.)

7601. As used in this chapter:

(a) "Security loan agreement" means a written contract whereby a legal owner (the lender) agrees to lend specific marketable corporate or government securities for a period not to exceed one year. The lender retains the right to collect from the borrower all dividends, interest, premiums, rights, and any other distributions to which the lender would otherwise have been entitled. The lender waives the right to vote the securities during the term of the loan. The lender may terminate the contract upon not more than five business days' notice as agreed, and the borrower may terminate the contract upon not less than two business days' notice as agreed. The borrower shall provide collateral to the lender in the form of cash, or bonds, other interest-bearing notes and obligations of the United States or federal instrumentalities eligible for investment by a lending state agency.

Such collateral shall be in an amount equal to at least 102 percent of the market value of the loaned securities as agreed. The administrators of the funds involved shall monitor the market value of the loaned securities daily. The loan agreement shall provide for payment of additional collateral on a daily basis, or at such times as the value of the loaned securities increases, to agreed upon ratios. In no event shall the amount of the collateral be less than the market value of the loaned securities.

(b) "Marketable securities" means securities that are freely traded on recognized exchanges or marketplaces.

(Added by Stats. 1975, Ch. 1214.)