

Chapter 271

(House Bill 868)

AN ACT concerning

Finance and Procurement – State Treasury – Collateral

FOR the purpose of clarifying the types of collateral that may be used under certain provisions of law to include a certain letter of credit if the letter meets certain requirements of the State Treasurer's office; correcting a certain reference; and generally relating to letters of credit used as collateral.

BY repealing and reenacting, with amendments,
Article – State Finance and Procurement
Section 6–202
Annotated Code of Maryland
(2009 Replacement Volume and 2011 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article – State Finance and Procurement

6–202.

Collateral that may be used under this subtitle shall be:

- (1) an obligation of the United States or any of its agencies;
- (2) an obligation guaranteed by the United States or by any of its agencies;
- (3) an obligation insured by the United States;
- (4) an obligation of the State or any of its units or instrumentalities;
- (5) an obligation of a county of the State or any of its agencies;
- (6) an obligation of a municipal corporation in the State or any of its agencies;
- (7) an obligation of any other governmental authority in the State;
- (8) an obligation of the Inter–America Development Bank;

- (9) an obligation of the World Bank;
- (10) an obligation of the following government–sponsored enterprises:
 - (i) the Federal Home Loan [Bank System] **BANKS**;
 - (ii) the Federal Home Loan Mortgage Corporation;
 - (iii) the Federal National Mortgage Association;
 - (iv) the Farm Credit System;
 - (v) the Federal Agricultural Mortgage Corporation; and
 - (vi) the Student Loan Marketing Association;
- (11) a surety bond if:
 - (i) subject to the terms and conditions of the bond, it is irrevocable and absolute;
 - (ii) the surety bond is issued by an insurance company authorized to do business in this State;
 - (iii) the issuer of the surety bonds does not provide surety bonds for any one financial institution in an amount that exceeds 10% of the surety bond insurer’s policyholders’ surplus and contingency reserve, net of reinsurance; and
 - (iv) the claims–paying ability of the authorized insurance company is rated, at all relevant times, in the highest category by at least two nationally recognized rating agencies acceptable to the Treasurer; **[or]**
- (12) an obligation or security of, or other interest in, any open–end or closed–end management type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, 15 U.S.C. § 80a–1 et seq., if:
 - (i) the portfolio of the open–end or closed–end management type investment company or investment trust is limited to direct obligations of the United States government and to repurchase agreements fully collateralized by United States government obligations; and
 - (ii) the open–end or closed–end management type investment company or investment trust takes delivery of that collateral, either directly or through an authorized custodian; **OR**

(13) A LETTER OF CREDIT ISSUED BY A FEDERAL HOME LOAN BANK IF THE LETTER OF CREDIT MEETS THE CONDITIONS UNDER THE GUIDELINES ISSUED BY THE STATE TREASURER'S OFFICE.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2012.

Approved by the Governor, May 2, 2012.