

Tenn. Code Ann. § 9-4-103

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TN - Tennessee Code Annotated **Title 9 Public Finances** **Chapter 4 State Funds, State Budget and Appropriations** **Part 1 Definitions**

9-4-103. Eligible collateral.

(a) "Eligible collateral" means:

(1) Bonds, notes, and treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies;

(2) Obligations guaranteed as to principal and interest by the federal home loan mortgage corporation, federal national mortgage association, student loan marketing association, and other United States government-sponsored corporations;

(3) Bonds of the state of Tennessee, including any revenue bond issued by any agency of the state specifically including institutions under the control of the state board of regents, the board of trustees of the University of Tennessee and bonds issued in the name of the state school bond authority;

(4) Bonds of any utility district, county or municipal corporation of the state of Tennessee, including bonds payable from revenues (expressly excluding bonds of any road, levee or drainage district) upon which such bonds there has been no default in the payment of interest more than thirty (30) days upon any one (1) installment of interest, for the five (5) years next preceding the deposit of such bonds;

(5) [Deleted by 2022 amendment.]

(6) Bonds issued under title 7, chapters 37 and 53, or under title 48, chapter 101, part 3, that are rated "A" or higher by any nationally recognized rating service;

(7) In addition, the state treasurer, with the concurrence of the commissioners of finance and administration and of financial institutions, may accept any other collateral security which is acceptable to the secretary of the treasury to secure the United States for deposits of public money in tax and/or loan accounts;

(8) An irrevocable letter of credit issued by the federal home loan bank; provided, that:

(A) The federal home loan bank is rated investment grade by at least one (1) nationally recognized securities rating service; and

(B) The state treasurer may require the state depository to promptly pledge securities in lieu of the letter of credit if the state treasurer believes it necessary to protect public funds;

(9) A surety bond issued by an insurance company licensed under the laws of this state that meets the following:

(A)

(i) The company has a financial strength rating, also known as claims-paying ability, in one (1) of the two (2) highest categories by at least one (1) nationally recognized statistical rating agency; and

(ii) Any other financial or participation criteria and conditions established by the state funding board;

(B) The company offering the surety bond and the form of the bond is approved by the state funding board;

(C) The amount of surety bond pledged by any one (1) state depository or qualified public depository in lieu of other eligible collateral shall not exceed thirty million dollars (\$30,000,000) or fifty percent (50%) of all collateral for that institution required to be pledged to the state treasurer or to the collateral pool, whichever is lower;

(D) The treasurer shall monitor the financial strength rating of a qualified insurance company no less than weekly, and at least annually shall file a report with the state funding board and the collateral pool board on the condition of the qualified insurance company. If the condition of an insurer changes to the extent that the issuer would no longer be qualified under the requirements of subdivision (a)(9)(A), the treasurer shall immediately notify the state funding board and the collateral pool board; and the insurer shall thereafter become disqualified;

(E) In the event an insurer becomes disqualified under subdivision (9)(D), the state depository or qualified public depository using the insurer's surety bond shall be required within thirty (30) days' notice from the treasurer to substitute other eligible collateral or to otherwise meet the required collateral level;

(F) Notwithstanding the disqualification of an insurer under subdivisions (a)(9)(D) and (E), the surety bond of the insurer shall remain in effect until its expiration, nonrenewal or termination as otherwise permitted by law;

(G) In addition to the authority otherwise provided in this section or by law, the state treasurer may require the state depository or qualified public depository to promptly pledge eligible collateral in lieu of the surety bond if the treasurer makes a finding that additional collateral is necessary to protect public funds;

(H) A surety bond authorized in this subdivision (a)(9) may only be used to secure funds in the custody of the state treasurer or to secure funds covered by the collateral pool created under part 5 of this chapter; and

(I) In the event that an issuer of surety bonds desires to withdraw from the program or to terminate a surety bond, the bond issuer shall give the state treasurer and the insured state depository or qualified public depository no less than sixty (60) days' advance notice of the withdrawal, nonrenewal or cancellation of the bonds;

(10) State or municipal bonds from other states or from municipalities in other states; provided, that:

- (A)** The bond is AA-, Aa3, or a higher rating by a nationally recognized bond rating service;
- (B)** The bond is not a structured debt instrument; and
- (C)** If the bond is downgraded below the minimum rating, the state depository shall substitute other eligible collateral or otherwise meet the required collateral levels within two (2) working days;
- (11)** Cash. For the purposes of this subdivision (a)(11), the term "cash" includes, but is not limited to, United States currency. Notwithstanding this subdivision (a)(11), cash shall not be used as collateral for guaranteed investment contracts pursuant to [§ 12-10-111\(n\)](#); or
- (12)** Bonds of the small business administration.
- (b)** It is within the state treasurer's discretion to accept or decline certain forms of eligible collateral.

History

Acts 1985, ch. 118, § 15; 1986, ch. 551, § 2; 1994, ch. 586, § 1; 1997, ch. 217, §§ 3, 14; 2009, ch. 6, § 1; 2012, ch. 942, § 1; 2013, ch. 202, § 1; 2018, ch. 752, §§ 1, 2; 2021 (3rd Ex. Sess.), ch. 2, § 1; 2022, ch. 1066, §§ 1-6.

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