

SENATE STATE MANAGEMENT, INVESTMENT AND
FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

SENATE, No. 2046

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 12, 1997

The Senate State Management, Investment and Financial Institutions Committee reports favorably and with committee amendments Senate Bill No. 2046.

This bill, as amended, permits the State Treasurer to select one or more State or federally chartered banks to act as a fiscal agent or custodian of State assets, and for State pension agencies. The bill requires the selected bank or banks to have a physical presence in the State through either a principal or branch office and to employ residents of the State. With changes to federal and State law permitting interstate branching, New Jersey no longer has a large national bank with its principal office in this State. Large national banks are present in this State only through branch offices.

In addition, the bill permits a bank selected as a custodian or fiscal agent by the State Treasurer to use other banks, located in any other state or country, as sub-custodians or sub-fiscal agents for assets of the State, provided that the bank selected by the State Treasurer to act as custodian or fiscal agent retains primary responsibility for those assets and provided further that any bank acting as sub-custodian or sub-fiscal agent be responsible to the same degree as the primary custodian or fiscal agent and be held accountable to the same degree of fiduciary duty and responsibility as the appointing primary custodian or fiscal agent.

In addition, the bill permits the State Treasurer, acting as custodian of public moneys in the Cash Management Fund, to select one or more national or State chartered banks for the custodianship of securities held in the fund and for recording the amounts deposited and withdrawn by each participant, the investment transactions entered into, and the balance to each participant's credit each day.

COMMITTEE AMENDMENT

Amendments to the bill provide that any bank selected as custodian for the Cash Management Fund may use recognized depositories or clearinghouses for the securities in the Cash Management Fund or other banks as sub-custodians or sub-fiscal agents as is provided for a bank with respect to its selection by the State Treasurer as the fiscal agent or custodian of State funds, securities or other assets. Similar requirements as found in the section dealing with State funds with respect to responsibilities placed on the bank selected as custodian and on any sub-custodian or sub-fiscal agent are also included in the amendment dealing with the Cash Management Fund.