

AMENDED IN ASSEMBLY APRIL 23, 1996

AMENDED IN ASSEMBLY APRIL 8, 1996

CALIFORNIA LEGISLATURE—1995–96 REGULAR SESSION

ASSEMBLY BILL

No. 3260

Introduced by Assembly Member Richter

February 23, 1996

An act to amend Sections 1876.1 and 33560 of, and to repeal Sections 1876.7 and 33566 of, the Financial Code, relating to financial transactions.

LEGISLATIVE COUNSEL'S DIGEST

AB 3260, as amended, Richter. Travelers checks and payment instruments.

Existing law, for purposes of the Travelers Checks Act and the Payment Instrument Law, defines the term "United States currency eligible security," and "value."

This bill would revise and expand the definition of "United States currency eligible" security, as specified, to include, among other things, shares in a money market mutual fund or mutual funds, as specified. It would provide that certain ~~permissible—investments~~ *eligible securities*, even if commingled with other assets of the licensee, shall be deemed to be held in trust for purchasers and holders of travelers checks or payment instruments in the event of bankruptcy of the licensee.

Existing law provides that the Superintendent of Banks may find that an account due to any licensee from any agent of the licensee is an eligible security, under specified circumstances.

This bill would delete that provision.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1876.1 of the Financial Code is
2 amended to read:

3 1876.1. In this article:

4 (a) "Eligible security" means any United States
5 currency eligible security or foreign currency eligible
6 security.

7 (b) "Eligible securities rating service" means any
8 securities rating service which the superintendent has by
9 regulation or order declared to be an eligible securities
10 rating service pursuant to Section 1876.5.

11 (c) "Eligible rating," when used with respect to any
12 security or class of securities and any eligible securities
13 rating service, means any rating assigned to the security,
14 or class of securities, by the eligible securities rating
15 service which the superintendent has by regulation or
16 order declared to be an eligible rating pursuant to Section
17 1876.6.

18 (d) "Foreign currency eligible security" means any of
19 the following which are, or are denominated in, a foreign
20 currency and which the superintendent has not by
21 regulation or order declared to be ineligible pursuant to
22 Section 1876.3.

23 (1) Any of the following which are of comparable
24 quality to the United States currency eligible securities
25 specified in paragraphs (1) to (7), inclusive, of
26 subdivision (g):

27 (A) Cash.

28 (B) Any deposit in an office of a bank located in a
29 foreign country.

30 (C) Any bond, note, or other obligation.



1 (2) Any other security or class of securities which the
2 superintendent has by regulation or order declared to be
3 eligible securities pursuant to Section 1876.4.

4 (e) “Insured bank” means any bank the deposits of
5 which are insured by the Federal Deposit Insurance
6 Corporation. However, “insured bank” does not include
7 any office of a foreign (other nation) bank, as defined in
8 Section 1700, other than an office which is insured by the
9 Federal Deposit Insurance Corporation.

10 (f) “Insured savings and loan association” means any
11 savings and loan association the accounts of which are
12 insured by the Federal Savings and Loan Insurance
13 Corporation.

14 (g) “United States currency eligible security” means
15 any of the following which are, or are denominated in,
16 United States currency and which the superintendent has
17 not by regulation or order declared to be ineligible
18 pursuant to Section 1876.3.

19 (1) Cash.

20 (2) Any deposit in an insured bank or an insured
21 savings and loan association.

22 (3) Any bond, note, or other obligation which is issued
23 or guaranteed by the United States or by any agency of
24 the United States.

25 (4) Any bond, note, or other obligation which is issued
26 or guaranteed by any state of the United States, or by any
27 governmental agency of or within any state of the United
28 States, and which is assigned an eligible rating by an
29 eligible securities rating service.

30 (5) Any bankers acceptance which is eligible for
31 discount by a federal reserve bank.

32 (6) Any commercial paper which is assigned an
33 eligible rating by an eligible securities rating service.

34 (7) Any bond, note, or other obligation or preferred
35 stock which is assigned an eligible rating by an eligible
36 securities rating service.

37 (8) Any account due to any licensee from any agent of
38 the licensee on account of the sale by the agent of
39 travelers checks issued by the licensee, which is ~~not more~~
40 ~~than 60 days past due or otherwise doubtful of collection.~~



1 is not outstanding more than 10 days from the date of sale,
2 or otherwise doubtful of collection, provided the licensee
3 (A) has held a license in good standing for at least three
4 years, and (B) has net worth, computed according to
5 generally accepted accounting principles, of at least five
6 million dollars (\$5,000,000).

7 (9) Shares in a money market mutual fund, or mutual
8 funds composed of one or more eligible securities as
9 defined in this section.

10 (10) Any other security or class of securities that the
11 superintendent has by regulation or order declared to be
12 eligible securities pursuant to Section 1876.4.

13 (h) "Value" means:

14 (1) When used with respect to an eligible security
15 owned by a licensee which consists of an account due to
16 the licensee from an agent of the licensee on account of
17 the sale by the agent of travelers checks issued by the
18 licensee, net carrying value as determined in conformity
19 with generally accepted accounting principles.

20 (2) When used with respect to any other eligible
21 security owned by a licensee:

22 (A) In case the practice and policy of the licensee is to
23 hold eligible securities to maturity, net carrying value as
24 determined in conformity with generally accepted
25 accounting principles.

26 (B) In any other case, market value.

27 (i) ~~Permissible investments~~ *Eligible securities*, even if
28 commingled with other assets of the licensee, shall be
29 deemed by operation of law to be held in trust for the
30 benefit of the purchasers and holders of the licensee's
31 outstanding travelers checks in the event of the
32 bankruptcy of the licensee.

33 SEC. 2. Section 1876.7 of the Financial Code is
34 repealed.

35 SEC. 3. Section 33560 of the Financial Code is
36 amended to read:

37 33560. In this article:

38 (a) "Eligible security" means any United States
39 currency eligible security or foreign currency eligible
40 security.



1 (b) “Eligible securities rating service” means any
2 securities rating service which the superintendent has by
3 regulation or order declared to be an eligible securities
4 rating service pursuant to Section 33564.

5 (c) “Eligible rating,” when used with respect to any
6 security or class of securities and any eligible securities
7 rating service, means any rating assigned to such security
8 or class of securities by such eligible securities rating
9 service which the superintendent has by regulation or
10 order declared to be an eligible rating pursuant to Section
11 33565.

12 (d) “Foreign currency eligible security” means any of
13 the following which is, or is denominated in, a foreign
14 currency and which the superintendent has not by
15 regulation or order declared to be ineligible pursuant to
16 Section 33562:

17 (1) Any of the following which is of comparable quality
18 to the United States currency eligible securities specified
19 in paragraphs (1) to (7), inclusive, of subdivision (f):

20 (A) Cash.

21 (B) Any deposit in an office of a bank located in a
22 foreign country.

23 (C) Any bond, note, or other obligation.

24 (2) Any other security or class of securities which the
25 superintendent has by regulation or order declared to be
26 eligible securities pursuant to Section 33563.

27 (e) “Reported outstanding payment rating,” when
28 used with respect to a licensee, means either of the
29 following:

30 (1) Any payment instrument issued by the licensee
31 which has been sold directly by the licensee and which
32 has not yet been paid by the licensee.

33 (2) Any payment instrument issued by the licensee
34 which has been sold by an agent of the licensee, which has
35 been reported by such agent to the licensee as having
36 been sold (such report having been received by the
37 licensee), and which has not yet been paid by the
38 licensee.

39 (f) “United States currency eligible security” means
40 any of the following which is, or is denominated in, United



1 States currency and which the superintendent has not by
2 regulation or order declared to be ineligible pursuant to
3 Section 33562:

4 (1) Cash.

5 (2) Any deposit in an insured bank or an insured
6 savings and loan association.

7 (3) Any bond, note, or other obligation which is issued
8 or guaranteed by the United States or by any agency of
9 the United States.

10 (4) Any bond, note, or other obligation which is issued
11 or guaranteed by any state of the United States or by any
12 governmental agency of or within any state of the United
13 States and which is assigned an eligible rating by an
14 eligible securities rating service.

15 (5) Any bankers acceptance which is eligible for
16 discount by a federal reserve bank.

17 (6) Any commercial paper which is assigned an
18 eligible rating by an eligible securities rating service.

19 (7) Any bond, note, or other obligation or preferred
20 stock which is assigned an eligible rating by an eligible
21 securities rating service.

22 (8) Any account due to any licensee from any agent of
23 such licensee on account of the sale by such agent of
24 payment instruments issued by the licensee, which is ~~not~~
25 ~~more than 60 days past due or otherwise doubtful of~~
26 ~~collections.~~ *is not outstanding more than 10 days from the*
27 *date of sale, or otherwise doubtful of collection, provided*
28 *the licensee (A) has held a license in good standing for at*
29 *least three years, and (B) has net worth, computed*
30 *according to generally accepted accounting principles, of*
31 *at least five million dollars (\$5,000,000).*

32 (9) Shares in a money market mutual fund, or mutual
33 funds composed of one or more eligible securities as
34 defined in this section.

35 (10) Any other security or class of securities that the
36 superintendent has by regulation or order declared to be
37 eligible securities pursuant to Section 33563.

38 (g) "Value" means:

39 (1) When used with respect to an eligible security
40 owned by a licensee which consists of an account due to



1 such licensee from an agent of the licensee on account of
2 the sale by such agent of payment instruments issued by
3 the licensee, net carrying value as determined in
4 conformity with generally accepted accounting
5 principles.

6 (2) When used with respect to any other eligible
7 security owned by a licensee:

8 (A) In case the practice and policy of such licensee is
9 to hold eligible securities to maturity, net carrying value
10 as determined in conformity with generally accepted
11 accounting principles.

12 (B) In any other case, market value.

13 (h) ~~Permissible investments~~ *Eligible securities*, even if
14 commingled with other assets of the licensee, shall be
15 deemed by operation of law to be held in trust for the
16 benefit of the purchasers and holders of the licensee's
17 outstanding payment instrument in the event of the
18 bankruptcy of the licensee.

19 SEC. 4. Section 33566 of the Financial Code is
20 repealed.

