



House of Representatives

General Assembly

File No. 69

February Session, 2018

House Bill No. 5269

House of Representatives, March 28, 2018

The Committee on Government Administration and Elections reported through REP. FOX of the 148th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

***AN ACT CONCERNING THE DIVESTMENT OF STATE FUNDS
INVESTED IN COMPANIES DOING BUSINESS IN VENEZUELA.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2018*) (a) For the purposes of
2 this section:

3 (1) "Company" means any corporation, utility, partnership, joint
4 venture, franchisor, franchisee, trust, entity investment vehicle,
5 financial institution or other entity or business association, including
6 all wholly-owned subsidiaries, majority-owned subsidiaries, parent
7 companies or affiliates of such entities or business associations that
8 exist for the purpose of making profit;

9 (2) "Doing business in Venezuela" means engaging in commerce in
10 any form in Venezuela, including maintaining equipment, facilities,
11 personnel or other apparatus of business or commerce in Venezuela,
12 including, but not limited to, the lease or ownership of real or personal

13 property in Venezuela or engaging in any business activity with the
14 government of Venezuela;

15 (3) "Invest" means the commitment of funds or other assets to a
16 company, including, but not limited to, the ownership or control of a
17 share or interest in the company, and the ownership or control of a
18 bond or other debt instrument by the company;

19 (4) "Venezuela" means the Bolivarian Republic of Venezuela,
20 including its government and any of its agencies, instrumentalities or
21 political subdivisions;

22 (5) "Oil-related activities" include, but are not limited to, activities
23 such as (A) owning rights to oil blocks, (B) exporting, extracting,
24 producing, refining, processing, exploring for, transporting, selling or
25 trading of oil, (C) constructing, maintaining or operating a pipeline,
26 refinery or other oil field infrastructure, and (D) facilitating such
27 activities, including providing supplies and services in support of such
28 activities, but does not include the selling of retail gasoline and related
29 consumer products; and

30 (6) "Petroleum resources" means petroleum, petroleum byproducts
31 and natural gas.

32 (b) The State Treasurer shall review the major investment holdings
33 of the state for the purpose of determining the extent to which state
34 funds are invested in companies doing business in Venezuela.
35 Whenever feasible and consistent with the fiduciary duties of the State
36 Treasurer, the State Treasurer shall encourage companies in which
37 state funds are invested and that are doing business in Venezuela, as
38 identified by the United States Department of Treasury's Office of
39 Foreign Assets Control or the State Treasurer, to act responsibly and
40 not take actions that promote or otherwise enable Venezuela's
41 corruption and the impoverishment of the Venezuelan people.

42 (c) The State Treasurer (1) may divest, decide to not further invest
43 state funds or not enter into any future investment in any company

44 doing business in Venezuela; and (2) shall divest and not further invest
45 in any security or instrument issued by Venezuela. In determining
46 whether to divest state funds in accordance with the provisions of
47 subdivision (1) of this subsection, the factors that the Treasurer shall
48 consider shall include, but need not be limited to, the following: (A)
49 Revenues paid by such company directly to the government of
50 Venezuela; (B) whether the company is doing business in Venezuela
51 that involves contracts with or provision of supplies or services to (i)
52 the government of Venezuela, (ii) companies in which the government
53 of Venezuela has any direct or indirect equity share, (iii) consortia or
54 projects commissioned by the government of Venezuela, or (iv)
55 companies involved in consortia or projects commissioned by the
56 government of Venezuela where such business involves oil-related
57 activities, investments that directly and significantly contribute to the
58 development of Venezuela's petroleum resources or any other business
59 activity that has been made the subject of economic sanctions imposed
60 by the United States government; (C) whether such company
61 knowingly obstructs lawful inquiries into its operations and
62 investments in Venezuela; (D) whether such company attempts to
63 circumvent any applicable sanctions of the United States; (E) the extent
64 of any humanitarian activities undertaken by such company in
65 Venezuela; (F) whether such company is authorized by the federal
66 government of the United States to do business in Venezuela; and (G)
67 any other factor that the Treasurer deems prudent. In the event that the
68 Treasurer determines that divestment of state funds is warranted from
69 a company in which state funds are invested due to such company
70 doing business in Venezuela, the Treasurer shall give notice to such
71 company that such funds shall be divested from such company for as
72 long as such company does business in Venezuela.

73 (d) The State Treasurer shall, at least once per fiscal year, provide a
74 report to the Investment Advisory Council on actions taken by the
75 Treasurer pursuant to the provisions of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2018</i>	New section

GAE *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill is permissive. It is not expected to result in a fiscal impact to the state because it is anticipated that if the Treasurer chooses to disinvest any funds, they will be reinvested in other companies that will produce similar rates of return.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**HB 5269*****AN ACT CONCERNING THE DIVESTMENT OF STATE FUNDS INVESTED IN COMPANIES DOING BUSINESS IN VENEZUELA.*****SUMMARY**

This bill requires the state treasurer to divest and not further invest in any security or instrument issued by Venezuela. It also requires her to review the state's major investment holdings to determine the extent to which state funds are invested in companies doing business in Venezuela.

The bill allows the state treasurer to divest in any company doing business with Venezuela or decide to not further invest state funds or not enter any future investments with such companies. The bill requires the state treasurer to consider several factors when making this determination, described below. If she determines divestment is warranted, she must give notice to the company that funds will be divested for as long as the company does business in Venezuela.

Under the bill, the state treasurer, whenever feasible and consistent with her fiduciary duties, must encourage certain companies in which state funds are invested to act responsibly and not take actions promoting or enabling Venezuela's corruption and the Venezuelan peoples' impoverishment. This requirement applies to companies that the United State Department of Treasury's Office of Foreign Assets Control or the state treasurer identifies as doing business in Venezuela.

The bill also requires the state treasurer to report, at least once per fiscal year, to the Investment Advisory Council on any actions she takes under the bill.

EFFECTIVE DATE: October 1, 2018

COMPANIES DOING BUSINESS IN VENEZUELA

The bill requires the state treasurer to determine the extent to which state funds are invested in companies doing business in Venezuela and determine whether to divest, not further invest state funds, or not enter into any future investments with such companies. Under the bill, invest means a commitment of funds or other assets to a company, including ownership or control of a share or interest in the company, its bonds, or other debt instruments. Under the bill, a company is any:

1. corporation, utility, partnership, or joint venture;
2. franchisor or franchisee;
3. trust;
4. entity investment vehicle;
5. financial institution; or
6. other entity or business association, including all wholly-owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of such entities or business associations that exist for the purpose of making profit.

The bill's provisions apply for companies doing business in Venezuela, which, under the bill, means engaging in commerce in any form in the Bolivarian Republic of Venezuela, its government, and any of its agencies, instrumentalities, or political subdivisions, including (1) maintaining equipment, facilities, personnel, or other business or commerce apparatus in Venezuela; (2) leasing or owning real or personal property in Venezuela; or (3) engaging in any business activity with Venezuela's government.

DIVESTMENT DECISION FACTORS

The bill requires the state treasurer to consider the following factors when determining whether to take action under the bill:

1. revenues the company pays directly to the Venezuelan

government,

2. whether the company knowingly obstructs lawful inquiries into its operations and investments in Venezuela,
3. whether the company attempts to circumvent any applicable United States sanctions,
4. the company's humanitarian activities in Venezuela,
5. whether the company is authorized by the United States federal government to do business in Venezuela, and
6. any other factor the state treasurer deems prudent.

She must also consider whether the company's business conducted in Venezuela involves contracts with or provisions of supplies or services to:

1. the Venezuelan government;
2. companies in which the Venezuelan government has any direct or indirect equity share;
3. consortia or projects commissioned by the Venezuelan government; or
4. companies involved in such consortia or projects where such business involves oil-related activities, investments that directly and significantly contribute to the development of Venezuela's petroleum resources (i.e., petroleum, petroleum byproducts, and natural gas), or any other business activity that is subject to economic sanctions imposed by the United States government.

Under the bill, oil-related activities exclude selling retail gasoline and related consumer products, but include:

1. owning rights to oil blocks;
2. exporting, extracting, producing, refining, processing, exploring

for, transporting, selling, or trading oil;

3. constructing, maintaining, or operating a pipeline, refinery, or other oil field infrastructure; and
4. facilitating such activities, including providing supplies and services in support of such activities.

COMMITTEE ACTION

Government Administration and Elections Committee

Joint Favorable

Yea 11 Nay 5 (03/09/2018)