

Senate Engrossed

public funds; foreign adversaries; divestment

State of Arizona
Senate
Fifty-sixth Legislature
Second Regular Session
2024

SENATE BILL 1340

AN ACT

AMENDING TITLE 35, CHAPTER 2, ARTICLE 8, ARIZONA REVISED STATUTES, BY
ADDING SECTION 35-392.01; RELATING TO PUBLIC MONIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Heading change

3 The article heading of title 35, chapter 2, article 8, Arizona
4 Revised Statutes, is changed from "TERRORISM COUNTRY DIVESTMENTS" to
5 "TERRORISM COUNTRY AND FOREIGN ADVERSARY DIVESTMENTS".

6 Sec. 2. Title 35, chapter 2, article 8, Arizona Revised Statutes,
7 is amended by adding section 35-392.01, to read:

8 35-392.01. Publicly managed funds; foreign adversary;
9 divestment; state board of investment;
10 definitions

11 A. A PUBLICLY MANAGED FUND MAY NOT DO ANY OF THE FOLLOWING:

12 1. HOLD AN INVESTMENT IN ANY OF THE FOLLOWING:

13 (a) A FOREIGN ADVERSARY.

14 (b) A STATE-OWNED ENTERPRISE OF A FOREIGN ADVERSARY.

15 (c) A COMPANY DOMICILED WITHIN A FOREIGN ADVERSARY.

16 (d) ANY OTHER ENTITY OWNED BY OR DOMICILED IN A FOREIGN ADVERSARY.

17 2. INVEST OR DEPOSIT PUBLIC MONIES IN A BANK THAT IS DOMICILED IN,
18 OR HAS A PRINCIPAL PLACE OF BUSINESS IN, A FOREIGN ADVERSARY.

19 B. ON THE EFFECTIVE DATE OF THIS SECTION, A PUBLICLY MANAGED FUND
20 SHALL IMMEDIATELY BEGIN DIVESTMENT OF ANY HOLDINGS OR INVESTMENTS
21 PROHIBITED PURSUANT TO SUBSECTION A OF THIS SECTION. A PUBLICLY MANAGED
22 FUND SHALL COMPLETE TOTAL DIVESTMENT NOT LATER THAN TWO YEARS AFTER THE
23 EFFECTIVE DATE OF THIS SECTION.

24 C. NOT LATER THAN SIX MONTHS AFTER THE EFFECTIVE DATE OF THIS
25 SECTION, THE STATE BOARD OF INVESTMENT SHALL DO ALL OF THE FOLLOWING:

26 1. REVIEW ALL PUBLICLY AVAILABLE INFORMATION REGARDING COMPANIES
27 THAT ARE STATE-OWNED ENTERPRISES OF AND ARE DOMICILED WITHIN A FOREIGN
28 ADVERSARY OR WHOSE PRIMARY AFFAIRS ARE CONDUCTED WITHIN A FOREIGN
29 ADVERSARY, INCLUDING INFORMATION PROVIDED BY NONPROFIT ORGANIZATIONS,
30 RESEARCH FIRMS AND GOVERNMENTAL ENTITIES.

31 2. CONTACT ASSET MANAGERS AND FUND MANAGERS CONTRACTED BY A
32 PUBLICLY MANAGED FUND THAT INVEST IN COMPANIES AND IN FUNDS THAT ARE
33 STATE-OWNED ENTERPRISES OF, OR ARE DOMICILED WITHIN, A FOREIGN ADVERSARY
34 OR WHOSE PRIMARY AFFAIRS ARE CONDUCTED WITHIN A FOREIGN ADVERSARY.

35 3. CONTACT OTHER INSTITUTIONAL INVESTORS THAT HAVE DIVESTED FROM OR
36 ENGAGED WITH COMPANIES THAT ARE STATE-OWNED ENTERPRISES OF, OR ARE
37 DOMICILED WITHIN, A FOREIGN ADVERSARY OR WHOSE PRIMARY AFFAIRS ARE
38 CONDUCTED WITHIN A FOREIGN ADVERSARY.

39 4. RETAIN AN INDEPENDENT RESEARCH FIRM TO IDENTIFY COMPANIES THAT
40 ARE DIRECT OR INDIRECT INVESTMENT HOLDINGS OF A PUBLICLY MANAGED FUND THAT
41 ARE STATE-OWNED ENTERPRISES OF, OR ARE DOMICILED WITHIN, A FOREIGN
42 ADVERSARY OR WHOSE PRIMARY AFFAIRS ARE CONDUCTED WITHIN A FOREIGN
43 ADVERSARY.

1 5. COMPILE AND DISTRIBUTE A LIST TO PUBLICLY MANAGED FUNDS OF ALL
2 THE COMPANIES OR ENTITIES IN THIS STATE THAT ARE STATE-OWNED ENTERPRISES
3 OF AND ARE DOMICILED WITHIN A FOREIGN ADVERSARY.

4 D. THIS SECTION DOES NOT INHIBIT, CONFLICT, IMPEDE OR OTHERWISE
5 INTERFERE WITH ANY REQUIRED FINANCIAL SAFEGUARDS, FIDUCIARY REQUIREMENTS
6 OR OTHER SOUND INVESTMENT CRITERIA THAT A PUBLICLY MANAGED FUND IS SUBJECT
7 TO.

8 E. FOR THE PURPOSES OF THIS SECTION:

9 1. "COMPANY" MEANS ANY SOLE PROPRIETORSHIP, ORGANIZATION,
10 ASSOCIATION, CORPORATION, PARTNERSHIP, JOINT VENTURE, LIMITED PARTNERSHIP,
11 LIMITED LIABILITY PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY
12 OR BUSINESS ASSOCIATION, INCLUDING WHOLLY OWNED SUBSIDIARIES,
13 MAJORITY-OWNED SUBSIDIARIES, PARENT COMPANIES OR AFFILIATES OF THOSE
14 ENTITIES OR BUSINESS ASSOCIATIONS, THAT EXIST FOR THE PURPOSE OF MAKING A
15 PROFIT.

16 2. "DIVESTMENT" MEANS THE SALE, FORFEITURE OR OTHER CONTRACTUAL END
17 OF ANY CURRENT OR PLANNED INVESTMENTS.

18 3. "DOMICILE" MEANS THE COUNTRY WHERE A COMPANY IS REGISTERED,
19 WHERE THE COMPANY'S AFFAIRS ARE PRIMARILY COMPLETED OR WHERE THE MAJORITY
20 OF THE OWNERSHIP SHARE IS HELD.

21 4. "FOREIGN ADVERSARY" MEANS ANY OF THE FOLLOWING:

- 22 (a) CHINA.
- 23 (b) CUBA.
- 24 (c) IRAN.
- 25 (d) NORTH KOREA.
- 26 (e) RUSSIA.
- 27 (f) SAUDI ARABIA.
- 28 (g) VENEZUELA.

29 5. "INVESTMENT" MEANS A TRANSFER OF MONIES INTO ANY ACTIVE,
30 PASSIVE, DIRECT OR INDIRECT STRUCTURE THAT SEEKS TO GENERATE REVENUE OR
31 ACCOMPLISH ANY OTHER GAIN, INCLUDING NONMONETARY GAINS.

32 6. "PUBLICLY MANAGED FUND" MEANS A SHORT-TERM OR LONG-TERM
33 INVESTMENT STRUCTURE THAT IS MANAGED, RUN, CONTROLLED OR OTHERWISE
34 OVERSEEN BY THIS STATE OR A POLITICAL SUBDIVISION OF THIS STATE.

35 7. "STATE-OWNED ENTERPRISE" MEANS ANY COMPANY OWNED OR CONTROLLED,
36 IN WHOLE OR IN PART, BY A GOVERNMENT OR BY AN INDIVIDUAL ACTING IN AN
37 OFFICIAL GOVERNMENT CAPACITY.

38 Sec. 3. Short title

39 This act may be cited as the "Foreign Adversary Divestment Act".

40 Sec. 4. Applicability

41 Section 35-392.01, Arizona Revised Statutes, as added by this act,
42 applies to contracts entered into or renewed from and after the effective
43 date of this act.