

THE NAVAJO NATION  
LEGISLATIVE BRANCH  
INTERNET PUBLIC REVIEW PUBLICATION



LEGISLATION NO: \_0336-19\_\_\_\_\_      SPONSOR: Jamie Henio

**TITLE: An Action Relating to the Budget and Finance Committee; Approving as recommended by the Navajo Nation Investment Committee, the ratification of the Securities Lending Authorization Agreements and related agreements between the Navajo Nation and the Northern Trust Company; and approving the Consent Amendments to the Security Lending Authorization Agreements**

*Date posted:* November 14, 2019 at 6:30pm

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**LEGISLATIVE SUMMARY SHEET**

**Tracking No.** 0336-19

**DATE:** November 7, 2019

**TITLE OF RESOLUTION:** AN ACTION RELATING TO THE BUDGET AND FINANCE COMMITTEE; APPROVING AS RECOMMENDED BY THE NAVAJO NATION INVESTMENT COMMITTEE, THE RATIFICATION OF THE SECURITIES LENDING AUTHORIZATION AGREEMENTS AND RELATED AGREEMENTS BETWEEN THE NAVAJO NATION AND THE NORTHERN TRUST COMPANY; AND APPROVING THE CONSENT AMENDMENTS TO THE SECURITY LENDING AUTHORIZATION AGREEMENTS

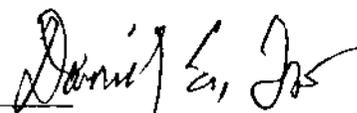
**PURPOSE:** The purpose of this resolution is ratify the Security Lending Authorization Agreements and approve the Consent Amendment as recommended by Investment Committee Resolution NNICAU-05-19.

**This written summary does not address recommended amendments as may be provided by the standing committees. The Office of Legislative Counsel requests each Council Delegate to review each proposed resolution in detail.**

5-DAY BILL HOLD PERIOD: None  
Website Posting Time/Date: \_\_\_\_\_  
Posting End Date: 11-19-19  
Eligible for Action: 11-20-19

1 PROPOSED STANDING COMMITTEE RESOLUTION  
2 24<sup>th</sup> NAVAJO NATION COUNCIL – FIRST YEAR, 2019

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4 INTRODUCED BY

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7 (Primary Sponsor)

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9 TRACKING NO. 0336-19

10  
11 AN ACTION

12 RELATING TO THE BUDGET AND FINANCE COMMITTEE; APPROVING AS  
13 RECOMMENDED BY THE NAVAJO NATION INVESTMENT COMMITTEE, THE  
14 RATIFICATION OF THE SECURITIES LENDING AUTHORIZATION AGREEMENTS  
15 AND RELATED AGREEMENTS BETWEEN THE NAVAJO NATION AND THE  
16 NORTHERN TRUST COMPANY; AND APPROVING THE CONSENT AMENDMENTS TO  
17 THE SECURITY LENDING AUTHORIZATION AGREEMENTS

18  
19 BE IT ENACTED:

20 **SECTION ONE. AUTHORITY**

21 A. The Budget and Finance Committee of the Navajo Nation Council (the “Budget and  
22 Finance Committee”) is empowered with the authority to exercise oversight in the areas  
23 including, but not limited to, budget, finance, investment, bonds, contracting, insurance,  
24 audits, accounting, taxes, loans, and Chapter budget and finance, for the purpose of  
25 coordinating, overseeing, and regulating the fiscal, financial, investment, contracting, and  
26 audit policies of the Navajo Nation pursuant to 2 N.N.C. § 300(C)(1); and to promulgate  
27 rules and regulations related to contracting, investments, and financial matters pursuant to  
28 2 N.N.C. § 301(B)(1).

29 B. The Navajo Nation created the Navajo Nation Investment Committee (the “Investment  
30 Committee”) pursuant to Resolution No. CAU-39-73, and the Budget and Finance

1 Committee approved and adopted the investment policies for all Navajo Nation financial  
2 resources (the "Master Investment Policy") pursuant to Resolution No. BFO-61-90, as  
3 amended by BFJY-114-03, BFJA-01-08, BFJN-17-15, BFD-38-17, BFD-41-17, and  
4 BFD-45-18.

5 C. The Investment Committee is an advisory group to the Budget and Finance Committee  
6 in the management of the Nation's investment program and is responsible for  
7 recommending to the Budget and Finance Committee the approval of the selection of  
8 investment managers and custodians recommended by the Nation's Investment  
9 Consultant, subject to the approval of each investment manager contract and each  
10 custodian contract by the Budget and Finance Committee, pursuant to the Master  
11 Investment Policy, § 4.3(d).

12 D. The Navajo Nation President or Vice-President or their designees have the authority to  
13 execute contracts on behalf of the Nation for the Executive Branch, pursuant to 2 N.N.C.  
14 §222.

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16 **SECTION TWO. FINDINGS**

17 A. The Investment Committee, through Resolution No. NNICAU-05-19, attached as **Exhibit**  
18 **A**, has recommended to the Budget and Finance Committee the ratification of existing  
19 Securities Lending Authorization Agreements ("SLAA") and related agreements between  
20 the Nation and Northern Trust Company ("Northern Trust") and the approval of the  
21 Consent Amendments to the SLAAs.

22 B. Northern Trust, as the Nation's custodial bank, provides custody and depository services,  
23 prepares reports and accounting statements, collects income, dividends and earnings, and  
24 reconciles accounts and transactions for the Nation's investment accounts. The SLAAs  
25 provide that Northern Trust acts as the Nation's agent by lending the Nation's securities  
26 to banks that borrow the Nation's securities under collateralized agreements between  
27 Northern Trust and the banks.

28 C. The Nation and Northern Trust entered into the SLAA relating to the Master Trust on  
29 September 29, 1995, as amended by the (Noncash) Addendum dated February 22, 2013,  
30 the Cash Collateral Addendum effective May 7, 2015, and the First Amendment effective

1 April 1, 2016 (Exhibits 1, 2, 3, and 4 to NNICAU-05-19, attached hereto as **Exhibit A**)  
2 (collectively, the “Master Trust SLAA”).

3  
4 D. The Nation and Northern Trust entered into the SLAA relating to the Defined Benefits  
5 Plan on November 3, 1998, as amended by the (Noncash) Addendum dated February 22,  
6 2013, the Cash Collateral Addendum effective October 5, 2015, and the First  
7 Amendment effective April 1, 2016 (Exhibits 5, 6, 7, and 8 to NNICAU-05-10, attached  
8 hereto as **Exhibit A**) (collectively, the “Defined Benefit Plan SLAA,” which together  
9 with the Master Trust SLAA is referred to as the “SLAAs”). The SLAAs are custodial  
10 contracts that were executed by former Navajo Nation Controllers.

11 E. The Consent Amendment, the form of which is attached hereto as **Exhibit B**, will amend  
12 the SLAAs by authorizing Northern Trust to incorporate into its agreements with  
13 borrower banks certain special resolution regimes, which will allow for the temporary  
14 suspension or nullification of a party’s termination and default rights during a borrower  
15 bank’s financial default in order to allow for an orderly resolution of the default or the  
16 transfer of assets, thereby avoiding a financial crisis that could otherwise involve a  
17 defaulting bank or the market at large, as occurred in the financial crisis of 2008. If the  
18 special resolution regimes are not incorporated into Northern Trust’s agreements with the  
19 borrower banks, the borrower banks may elect to stop borrowing the Nation’s securities,  
20 which would likely adversely affect the Nation’s earnings.

21 F. The Department of Justice has reviewed the documents included in **Exhibits A and B**  
22 **and** determined the to be legally sufficient. The Department of Justice review documents  
23 are attached as **Exhibit C**.

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25 **SECTION THREE. APPROVAL**

26 The Budget and Finance Committee hereby ratifies the Master Trust SLAAs attached as Exhibits  
27 1, 2, 3, and 4 to NNICAU-05-19, attached hereto in **Exhibit A**) and the Defined Benefit Plan  
28 SLAAs attached as Exhibits 5, 6, 7, and 8 to NNICAU-05-10, attached hereto in **Exhibit A**). The  
29 Budget and Finance Committee approves the Consent Amendment to the Master Trust SLAA  
30 and the Consent Amendment to the Defined Benefit Plan SLAAs SLAA, in the form attached

1 hereto as **Exhibit B**, and recommends that the President name the Controller as his designee to  
2 electronically execute the Consent Amendments.

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