§ 177-d. Security loan agreements. 1. A fund may enter into security loan agreements with broker-dealers and with New York state or national banks for the purpose of prudently supplementing the income normally received from investments.

2. The trustees of the funds involved shall monitor the market value of the loaned marketable securities daily. In no event shall the trustees allow the value of collateral posted to fall below the market value of the loaned marketable securities.

3. The term "security loan agreement", as used in this section, shall mean a written contract whereby a fund (the lender) agrees to lend marketable securities for a period not to exceed one year, subject, however, to the following limitations:

(a) The lender must retain the right to collect from the borrower all dividends, interest, premiums, rights, and any other distributions to which the lender would otherwise have been entitled,

(b) The lender may waive the right to vote the securities during the term of the loan,

(c) The lender must retain the right to terminate the contract upon not more than five business days' notice.

(d) The borrower shall provide collateral to the lender in the form of cash, bonds, or performance letters of credit drawn on a bank with capital, surplus and undivided earnings in excess of one hundred million dollars, or other interest-bearing notes and obligations of the United States or federal instrumentalities eligible for investment by a fund,

(e) The security loan agreement shall provide for payment of additional collateral on a daily basis, or at such time as the value of the loaned marketable securities increases to agreed upon ratios.

4. The term "marketable securities", as used in this section, shall mean securities that are freely traded on recognized exchanges or marketplaces.