

# THE STA

## SECURITIES TRANSFER ASSOCIATION, INC.

Established 1911

January 2, 2015

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John Sebert  
Executive Director  
Uniform Law Commission

via email: [john.sebert@uniformlaws.com](mailto:john.sebert@uniformlaws.com)

**Re: Comments for Uniform Unclaimed Property Act Drafting Committee**

Dear Mr. Sebert:

The Securities Transfer Association convened its Unclaimed Property Committee and Legal Committee to provide input to issues raised at the November 2014 meeting of the ULC. After reviewing their work and recommendations, the STA Board agrees that the language suggested below will address the concerns of the transfer agent and issuer communities in a manner that is equitable to states, owners, holders, and their agents. As such, the STA Board respectfully provides the following suggested amendments, based on 1995 Uniform Act:

### **Section 1: Definitions**

**“Last known address”** – means an address on the records of the holder, where that address is in a state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or insular possession subject to the jurisdiction of the United States.

*The purpose for including a definition of “Last known address” is to indicate clearly that the unclaimed property law is only applicable to property held within or under the jurisdiction of the United States, and where the owner entitled to the property is also subject to the jurisdiction of the United States. Property held by foreign entities or issued to individuals outside of the jurisdiction of the United States should be exempt from the statute.*

**“Property”** means tangible property described in Section 3 or a fixed and certain interest in intangible property that is held, issued, or owed in the course of a holder's business, or by a government, governmental subdivision,

agency, or instrumentality, and all income or increments therefrom. The term includes property that is referred to as or evidenced by:

(iii) stock or other evidence of ownership of an interest in a business association or financial organization, provided that the ownership interest has value and is free from any lien, legal hold or restriction. Said lien, legal hold or restriction must be evidenced on the books and records of the holder, or imposed pursuant to federal law, thus limiting the owner's ability to receive, transfer, sell or otherwise negotiate the ownership interest;

*The purpose for including the additional language is to exempt securities and other ownership interests which are subject to restrictions that prevent the owner from freely negotiating their interests until such time as the restrictions are removed. The limitation imposed pursuant to federal law is in recognition of OFAC and similar statutes which prevent the holder from making the asset available to certain individuals.*

**“Worthless Securities”** means securities of a defunct, bankrupt, or delisted issuer, or securities for which the cost of liquidation and delivery would exceed their value on the date a report is due pursuant to section 7.

*The purpose of including this language is to exempt from filing securities for which the cost of liquidation and delivery exceeds the value received by the state or an owner for said securities.*

**“Indication of interest”** by the owner, shall include but not be limited to the following;

- (i) The presentment of a check or other instrument of payment by the owner; or,
- (ii) The acceptance of an electronic payment into an account designated by owner, provided that the holder does not have notice that the payment was returned as undeliverable; or,
- (iii) Any action by the owner, either verbally, in writing or electronically, whereby the owner or owner's legal representative provides evidence to the satisfaction of the holder that said owner is entitled to take action on the account, as evidenced by a memorandum retained in the books and records of the holder or indicated by an electronic record in the owner's account, provided that the electronic record was created contemporaneously with the owner's indication of interest.

## **Section 2: Presumptions of Abandonment**

Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property:

(3) (a) stock or other equity interest in a business association or financial organization, including a security entitlement under Article 8 of the Uniform Commercial Code, three years after the location of the owner is unknown, provided that the second mailing of a statement of account or other notification or communication that was returned as undeliverable shall be the sole and exclusive evidence that the location of the owner is unknown, further provided that the business association mails at least one statement of account or other notification or communication annually in such manner as to have the communication returned as undeliverable. Notwithstanding the foregoing, worthless securities shall not be subject to the provisions of this section.

(b) stock or other equity interest in a business association held within a plan that allows for automatic re-investment of dividends, three years after the return date of the second mailing of a statement of account or other notification or communication that was returned as undeliverable.

(c) stock or other equity interest in a business association held by employees or affiliates of the business association, held within a plan constructed specifically for employees or affiliates, three years after:

- (i) the date the employee or affiliate ceased employment; or
- (ii) the date the employee or affiliate was no longer entitled to participate in the plan; and
- (iii) the location of the employee or affiliate is unknown to the holder at the end of the dormancy period.

The second mailing of a statement of account or other notification or communication that was returned as undeliverable shall be the sole and exclusive evidence that the location of the owner is unknown, provided that the business association mails at least one statement of account or other notification or communication annually in such manner as to have the communication returned as undeliverable.

#### **Section 7: Report of Abandoned Property**

(h) A holder of worthless securities shall file a report which contains:

- (1) a description of the security; and
- (2) an affidavit certifying the circumstances rendering the securities worthless.

No remittance of worthless securities is necessary.

The STA appreciates the opportunity to provide the ULC with practical insight that we believe will facilitate compliance with unclaimed property laws, while preserving the interests of owners. STA Board members and our representatives will continue to participate in all ULC efforts, and we welcome any questions from the ULC or other stakeholders.

Sincerely,



Todd J. May  
President