

MEMO# 1715

February 14, 1990

NEW YORK ABANDONED PROPERTY LAW

February 14, 1990 TO: MEMBERS - ONE PER COMPLEX NO. 5-90 ABANDONED PROPERTY TASK FORCE RE: NEW YORK ABANDONED PROPERTY LAW

As we previously informed you, New York State has amended its Abandoned Property Law with respect to mutual fund dividend reinvestment accounts (see Memorandum to SEC Rules Members No. 53-89, Unit Investment Trust Members No. 45-89 and Closed-End Fund Members No. 45-89, dated October 3, 1989). This memorandum summarizes the new law, discusses actions taken by the Institute and suggests steps which mutual fund organizations should take as soon as possible. Specifically, we request that you write to your New York shareholders to (1) obtain their written confirmation that their accounts are not abandoned; and (2) urge that they write to New York State officials in support of corrective legislation. The New York Law Under the new law, the account of a shareholder participating in a dividend reinvestment plan will be deemed abandoned if the shareholder neither makes additions or withdrawals, nor communicates in writing with the fund, for five years. Abandonment will be deemed to occur even if the shareholder reinvests dividends and even if notices sent to the shareholder are not returned by the post office. The New York law applies to shareholders resident in New York State, even if the fund is not located or incorporated there. The law requires that funds notify by certified mail shareholders whose shares will be deemed abandoned by September 30 of the year preceding the calendar year in which the 1 */ The law also requires that a notice be sent to shareholders who do not have dividend reinvestment accounts and who have not, for five years, (i) made additions or withdrawals, (ii) received amounts paid by the fund (i.e., have not cashed dividend checks), or (iii) communicated in writing with the fund. shares will be turned over to the State. */1 The first such notice was to have been sent to shareholders by September 30, 1989. If shareholders do not either sign for receipt of the certified notice or otherwise communicate in writing with the fund, the shares are to be reported to the State as abandoned by March 10 of the following year. Under the new law, this report would cover dividend reinvestment accounts with respect to which the shareholder has not made any additions or withdrawals or communicated in writing with the fund during 1985-1989. Institute Action The revised New York law and other states' abandoned property laws were discussed at a recent meeting of Institute members. At that meeting, a consensus was reached that the Institute should seek a modification of the New York law. A bill, S.6887/A.9300, which would amend the law to precondition abandonment on a return mail requirement, has been introduced in The New York State Legislature. Action Requested You should write your New York shareholders with dividend reinvestment accounts who have not made additions or withdrawals, or communicated in writing with the fund, during the past 5 years in order to obtain their written confirmation that their accounts are not abandoned. (However, since many funds may not have easily retrievable records, you may want to contact all New York

shareholders with dividend reinvestment accounts.) This letter would notify shareholders of the change in the law and request that they contact the fund in writing to ensure that their accounts are not abandoned, such as by returning an enclosed card. In addition, the Institute is recommending that this letter also request that shareholders write to state officials in support of S.6887/A.9300. New York counsel has advised us that S.6887/A.9300 will stand a better chance of enactment if New York shareholders contact New York State officials to express support for this bill. A draft of a letter to shareholders is attached. We have also attached a list of "talking points" that you could provide to shareholders to use in their letters to state officials. If you have any comments or questions regarding this issue, please contact me at 202/955-3523. Amy B. Rosenblum Assistant General Counsel

Attachments Write to the following Senators in support of S.6887 at The New York State Senate, Albany, NY 12247 o Christopher J. Mega (sponsor of the bill; Brooklyn) o Tarky Lombardi, Jr. (Onondaga County) o Ralph J. Marino (Nassau County)

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