The Asset Management Industry
SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE

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AMENDMENTS TO NEW YORK ABANDONED PROPERTY LAW

- 1 - October 3, 1989 TO: SEC RULES MEMBERS NO. 53-89 STATE SECURITIES MEMBERS NO. 33-89 UNIT INVESTMENT TRUST MEMBERS NO. 50-89 CLOSED-END FUND MEMBERS NO. 45-89 RE: AMENDMENTS TO NEW YORK ABANDONED PROPERTY LAW ____ Attached is a copy of a notice from the office of the New York State Comptroller concerning recent amendments to the New York Abandoned Property Law, which changed the status of investment company shares held in book entry form, including unit investment trusts. Specifically, book entry shares will no longer be treated as "securities" for purposes of the abandoned property law. Securities, which formerly included fund shares, are deemed abandoned where for three successive years: (a) all amounts, if any, payable thereon or with respect thereto have remained unpaid to the shareholder; (b) no written communication has been received from such resident by the fund; and (c) where the security is held by the issuing corporation [such as in book entry shares], all regular corporate notices required by law to be given to security holders which have been sent, via first class mail, to the shareholder at his last known address have been returned to the fund by the postal authorities for inability to locate such resident. Under the new law, shares held in book entry form by an investment company are considered "outstanding shares" rather than securities for purposes of the act. A new provision states that outstanding shares will be deemed abandoned where, for five successive years: (a) all amounts, if any, payable thereon or with respect thereto have remained unpaid to the shareholder; and (b) no written communication has been received from the shareholder by the fund. The new provision specifically provides that the payment of a dividend or other distribution pursuant to a reinvestment plan does not constitute the payment of an amount for purposes of the - 2 - first element of abandonment. In addition, the third element of abandonment under the section governing securities, which requires that mail be returned to the fund by the post office, has been eliminated. Thus, as the New York authorities have stated, "if a mutual fund shareholder has a dividend reinvestment plan, and he neither makes any additions or withdrawals nor communicates in writing with the paying agent within five years, his shares will be deemed abandoned notwithstanding that his reinvested dividends are automatically used to purchase additional shares." Furthermore, the statute requires funds to notify each shareholder whose shares are about to be delivered to the state by certified mail that the shares will be turned over to the state unless the fund receives written communication from the shareholder indicating knowledge of such shares before they are turned over. The deadline for such mailings is September 30 of the calendar year prior to the year in which the shares would be required to be delivered to the state. We will keep you informed of further developments. Kathy D. Ireland Assistant General Counsel Attachment