

MEMO# 1590

December 14, 1989

UNIFORM TOD SECURITY REGISTRATION ACT

- 1 - December 14, 1989 TO: BOARD OF GOVERNORS NO. 76-89 SEC RULES MEMBERS NO. 70-89 OPERATIONS MEMBERS NO. 35-89 RE: UNIFORM TOD SECURITY REGISTRATION ACT

In March 1986, the National Conference of Commissioners on Uniform State Laws began a drafting project designed to promote legal recognition and protection for automatic transfers at death of securities registered in the name of a single owner. The purpose of transfer-on-death (TOD) registration of a security is to provide an alternative to the joint tenancy form of title for shareholders who wish to arrange a non-probate transfer upon their death but not share ownership and control during their lifetime. Since 1986, an Institute representative has served as an advisor to the drafting committee. The Institute is pleased to report that the National Conference has approved and recommended for enactment in all states the attached Uniform TOD Security Registration Act. The conference approved this free-standing act as well as identical language in new Part 3 of Article VI of the Uniform Probate Code. The final version of the act includes several provisions recommended by the Institute. First, the drafters' comment to the definitional section specifically notes that the definition of security in section 1(9) includes shares in investment companies. Second, the comment to section 3 on applicable law explains that the section was designed to permit TOD registration whenever a state with which either the shareholder, the issuer or the issuer's transfer agent has contact has enacted the uniform act. Third, the comment to section 5 clarifies that the use of the designation "POD" (pay on death) does not require that investment company shares must be redeemed on the owner's death and the proceeds paid to the death beneficiary. Rather, the shares would be transferred to the new owner. Finally, the registering entity (generally the transfer agent) would be protected by section 8(c) against claims by the deceased owner's estate, creditors, heirs or devisees, and the accompanying comment clarifies that the Uniform Commercial Code supplies such protection for the issuer. We will keep you informed of further developments. - 2 - Kathy D. Ireland Associate General Counsel Attachment