

**MEMO# 5092**

August 23, 1993

## **HOUSE SUBCOMMITTEE MEMORANDUM ON ABANDONED PROPERTY**

August 23, 1993 TO: TRANSFER AGENT ADVISORY COMMITTEE NO. 45-93 RE: HOUSE  
SUBCOMMITTEE MEMORANDUM ON ABANDONED PROPERTY

The staff of the Subcommittee on Regulation, Business Opportunities and Technology of the House Committee on Small Business recently prepared a memorandum regarding unclaimed dividend payments. The report is a result of the staff's inquiry into the current practice of publicly held companies and their transfer agents to locate lost shareholders. It was prepared at the direction of Rep. Ron Wyden, Chairman of the Subcommittee. As you will recall, this issue was discussed at the Transfer Agent Advisory Committee meeting on May 13, 1993. A copy of the memorandum is attached. In the staff's view, the problem of the lost shareholder reflects a significant gap in federal and state securities law and an on-going risk for investors. The memorandum states that there are potentially billions of dollars in unclaimed dividends and other disbursements. The memorandum also discusses the lack of federal legislation, little or no incentives for states and public companies to locate missing shareholders and few industry-wide standards for tracing lost shareholders. Based on a discussion with subcommittee staff, we understand this matter is not currently viewed as a priority item on the Congressional level and that a regulatory, rather than a legislative solution would be preferred. Rep. Wyden had previously addressed this issue with former SEC Chairman Richard C. Breeden. However, the former Chairman responded that this was a matter of state law, not an SEC issue. Rep. Wyden has now sent the memorandum to new SEC Chairman Arthur Levitt to review and to respond with any possible regulatory approaches he would support. Although several mutual fund transfer agents participated in the inquiry, the memorandum makes no distinction between mutual fund transfer agents and corporate stock transfer agents. If further action is taken on the issue by either the Subcommittee or -2- the Commission, the Institute will respond appropriately with explanations of the proactive efforts on the part of mutual fund transfer agents to locate inactive or missing shareholders. As a resource for use in representing the industry on this issue, the Institute's 1993 Quality of Service survey, which will be initiated this fall, was expanded to include questions regarding lost shareholder location efforts. In the event that further information is required, a survey of the Transfer Agent Advisory Committee members may become necessary to provide more detail. For continued discussion on this issue, the topic of Abandoned Property will be included on the agenda of the Transfer Agent Advisory Committee meeting scheduled for September 29, 1993. If you wish to convey any comments on this matter to the Institute prior to the September meeting, please call me at 202/955-6259. We will keep you informed of further developments. Justine Phoenix Director of Operations- Transfer Agency Attachment

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