

VIDEO

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Focus on Funds: The Growing Impact of State Escheatment Laws

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In the March 20, 2015, edition of *Focus on Funds*, ICI Associate General Counsel Tami Salmon discusses how states are increasingly using abandoned property laws to take a fund shareholder's assets, and what funds need to know to respond effectively.

Transcript

Stephanie Ortballs-Tibbs, ICI Director, Media Relations: Welcome to *Focus on Funds*, the Investment Company Institute's weekly roundup of industry news, ICI activities, and research findings.

An emerging issue for funds and their shareholders is the use of state escheatment laws—laws used to claim unclaimed accounts, including mutual funds. The potential impact for fund shareholders is serious, and I spoke with ICI's Tami Salmon about this issue, and what funds and their investors need to know.

State escheatment laws are an important issue for funds and their investors, but it's also a new issue. Can you kind of give us a summary in a nutshell?

Tamara Salmon, ICI Associate General Counsel: So every state has an escheatment law that requires the escheatment of abandoned property. And, with respect to a mutual fund account, what that means is if the account holder becomes a lost shareholder then that property has to be turned over to the state. And how do you become a lost shareholder? Typically it's one of two ways: one, either the shareholder was sent mail by the mutual fund company, and that came back to the company as undeliverable, or secondly, that mutual fund shareholder has failed to contact the mutual fund company for a specified period of time, typically three years.

Ortballs-Tibbs: So this is an issue that has steadily become more active over the past few years, and ICI has become more active on it as well.

Salmon: That's correct. What we have seen is that the states have become far more aggressive in escheating property, because it puts more money into their coffers. So what it means is that we have to be more vigilant about complying with these laws and also

alerting shareholders to the harm that can be caused to them by these laws.

Ortbals-Tibbs: So for funds and their shareholders, what does ICI offer in terms of resources? What do we have on the website?

Salmon: So what we offer is information to our member firms about how to reach out to the shareholders to make sure they've established contact to keep these accounts from escheating. We're also wanting to alert shareholders to the fact that if you fail to contact your mutual fund company for a period of at least three years, it's likely that the state could take over that property, and you'd have to go to the state in order to claim your account.

Ortbals-Tibbs: That's this week in funds. See you next week.

Additional Resources

- [ICI Policy Priorities on State Issues](#)

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