SENATE FILE 450

By DeKOSTER

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Public hearing 3/30

Senate File 450
Willits, Chairman
Kennedy
Ramsey

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

An Act relating to the uniform commercial code definition of a clearing corporation and the manner of transferring investment securities.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section five hundred fifty-four point eight
2 thousand one hundred two (554.8102), subsection three (3),
3 Code 1973, is amended by striking the subsection and inserting
4 in lieu thereof the following:
5 3. A "clearing corporation" is a corporation
6 a. At least ninety percent of the capital stock of which
7 is held by or for one or more persons, other than individuals,
8 each of whom
9 (1) is subject to supervision or regulation pursuant to
10 the provisions of federal or state banking laws or state
11 insurance laws, or
12 (2) is a broker or dealer or investment company registered
13 under the Securities Exchange Act of 1934 (forty-eight (48)
14 Stat. L. eight hundred eighty-one (881); fifteen (15) U.S.C.
15 sec. seven hundred eighty-two (782) et seq.) or the Invest-
16 ment Company Act of 1940 (fifty-four (54) Stat. L. seven hun-
17 dred eighty-nine (789); fifteen (15) U.S.C. sec. eighty a
18 dash one (80a-1) et seq.) or
19 (3) is a national securities exchange or association
20 registered under a statute of the United States, and none
21 of whom, other than a national securities exchange or
22 association, holds in excess of twenty percent of the capital
23 stock of such corporation; and
24 b. Any remaining capital stock of which is held by
25 individuals who have purchased such capital stock at or prior
26 to the time of their taking office as directors of such
27 corporation and who have purchased only so much of such capital
28 stock as may be necessary to permit them to qualify as such
29 directors.
30 Sec. 2. Chapter six hundred thirty-three (633), Code 1973,
31 is amended by adding the following new section:
32 NEW SECTION. POWER OF FIDUCIARY OR CUSTODIAN TO DEPOSIT
33 SECURITIES. Notwithstanding any other provision of law, any
34 fiduciary as defined in section six hundred thirty-three point
35 three (633.3), subsection seventeen (17) of the Code, holding

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1 securities in its fiduciary capacity, any bank, trust company
2 or private banker holding securities as a custodian or managing
3 agent, and any bank, trust company or private banker holding
4 securities as custodian for a fiduciary is authorized to
5 deposit or arrange for the deposit of such securities in a
6 clearing corporation as defined in section five hundred fifty-
7 four point eight thousand one hundred and two (554.8102),
8 subsection three (3) of the Code. When such securities are
9 so deposited, certificates representing securities of the
10 same class of the same issuer may be merged and held in bulk
11 in the name of the nominee of such clearing corporation with
12 any other such securities deposited in such clearing
13 corporation by any person regardless of the ownership of such
14 securities, and certificates of small denomination may be
15 merged into one or more certificates of larger denomination.
16 The records of such fiduciary and the records of such bank,
17 trust company or private banker acting as custodian, as
18 managing agent or as custodian for a fiduciary shall at all
19 times show the name of the party for whose account the
20 securities are so deposited. Title to such securities may
21 be transferred by bookkeeping entry on the books of such
22 clearing corporation without physical delivery of certificates
23 representing such securities. A bank, trust company or pri-
24 vate banker so depositing securities pursuant to this section
25 shall be subject to such rules and regulations as, in the
26 case of state chartered institutions, the state superintendent
27 of banking and, in the case of national banking associations,
28 the comptroller of the currency may from time to time issue.
29 A bank, trust company or private banker acting as custodian
30 for a fiduciary shall, on demand by the fiduciary, certify
31 in writing to the fiduciary the securities so deposited by
32 such bank, trust company or private banker in such clearing
33 corporation for the account of such fiduciary. A fiduciary
34 shall, on demand by any party to a judicial proceeding for
35 the settlement of such fiduciary's account or on demand by

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1 the attorney for such party, certify in writing to such party
2 the securities deposited by such fiduciary in such clearing
3 corporation for its account as such fiduciary.
4 This section shall apply to any fiduciary holding securities
5 in its fiduciary capacity, and to any bank, trust company
6 or private banker holding securities as a custodian, managing
7 agent or custodian for a fiduciary, acting on the effective
8 date of this section or who thereafter may act regardless
9 of the date of the agreement, instrument or court order by
10 which it is appointed and regardless of whether or not such
11 fiduciary custodian, managing agent or custodian for a
12 fiduciary owns capital stock of such clearing corporation.
13 EXPLANATION
14 This amendment to the Uniform Commercial Code is being
15 sought in all states to permit the further development of
16 a system of interconnected regional securities depositories.
17 The use of such a depository enables transfer to be made by
18 book entry and eliminates physical handling with the
19 possibility of error and loss. Companion legislation will
20 permit Iowa fiduciaries to use these depositories. This bill
21 permits banks and insurance companies to be owners of shares
22 of stock in such depositories and give them a voice in
23 management and control.
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