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COMMERCE - REGULATION

HOUSE FILE 2123  
BY BLODGETT and GREIG

(COMPANION TO SF 2053 BY FREEMAN)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act adopting the uniform transfer on death security  
2 registration Act.

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

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HF 2123

1 Section 1. NEW SECTION. 633.800 SHORT TITLE -- RULES OF  
2 CONSTRUCTION.

3 1. This division shall be known and may be cited as the  
4 uniform transfer on death security registration Act.

5 2. The provisions of this division shall be liberally  
6 construed and applied to promote its underlying purposes and  
7 policy and to make uniform the laws with respect to the  
8 subject of its provisions among states enacting this uniform  
9 Act.

10 3. Unless displaced by the particular provisions of this  
11 division, the principles of law and equity supplement the  
12 provisions of this division.

13 Sec. 2. NEW SECTION. 633.801 DEFINITIONS.

14 As used in this division, unless the context otherwise  
15 requires:

16 1. "Beneficiary form" means a registration of a security  
17 which indicates the present owner of the security and the  
18 intention of the owner regarding the person who will become  
19 the owner of the security upon the death of the owner.

20 2. "Devisee" means any person designated in a will to  
21 receive a disposition of real or personal property.

22 3. "Heir" means a person, including the surviving spouse,  
23 who is entitled under the statutes of intestate succession to  
24 the property of a decedent.

25 4. "Register" means to issue a certificate showing the  
26 ownership of a certificated security or, in the case of an  
27 uncertificated security, to initiate or transfer an account  
28 showing ownership of the security.

29 5. "Registering entity" means a person who originates or  
30 transfers a security title by registration, including a broker  
31 maintaining security accounts for customers and a transfer  
32 agent or other person acting for or as an issuer of  
33 securities.

34 6. "Security" means a share, participation, or other  
35 interest in property, in a business, or in an obligation of an

1 enterprise or other issuer, including a certificated security,  
2 an uncertificated security, and a security account.

3 7. "Security account" means either of the following:

4 a. Any of the following whether or not credited to the  
5 account before the owner's death:

- 6 (1) A reinvestment account associated with a security.
- 7 (2) A securities account with a broker.
- 8 (3) A cash balance in a brokerage account.
- 9 (4) Cash, interest, earnings, or dividends earned or

10 declared on a security in an account, a reinvestment account,  
11 or a brokerage account.

12 b. A cash balance or other property held for or due to the  
13 owner of a security as a replacement for or product of an  
14 account security, whether or not credited to the account  
15 before the owner's death.

16 8. "State" includes any state of the United States, the  
17 District of Columbia, the Commonwealth of Puerto Rico, and any  
18 territory or possession subject to the legislative authority  
19 of the United States.

20 Sec. 3. NEW SECTION. 633.802 REGISTRATION IN BENEFICIARY  
21 FORM -- SOLE OR JOINT TENANCY OWNERSHIP.

22 Only an individual whose registration of a security shows  
23 sole ownership by one individual or multiple ownership by two  
24 or more individuals with a right of survivorship, rather than  
25 as tenants in common, may obtain registration in beneficiary  
26 form. Multiple owners of a security registered in beneficiary  
27 form shall hold as joint tenants with rights of survivorship,  
28 tenants by the entireties, or owners of community property  
29 held in survivorship form and not as tenants in common.

30 Sec. 4. NEW SECTION. 633.803 REGISTRATION IN BENEFICIARY  
31 FORM -- APPLICABLE LAW.

32 1. A security may be registered in beneficiary form if the  
33 form is authorized by this division or a similar statute of  
34 the state of any of the following:

35 a. The state of organization of the issuer or registering

1 entity.

2 b. The state of location of the registering entity's  
3 principal office.

4 c. The state of location of the office of the entity's  
5 transfer agent or the office of the entity making the  
6 registration.

7 d. The state of the address listed as the owner's at the  
8 time of registration.

9 2. A registration governed by the law of a jurisdiction in  
10 which this division or a similar statute is not in force or  
11 was not in force when a registration in beneficiary form was  
12 made is presumed to be valid and authorized as a matter of  
13 contract law.

14 Sec. 5. NEW SECTION. 633.804 ORIGINATION OF REGISTRATION  
15 IN BENEFICIARY FORM.

16 A security, whether evidenced by a certificate or account,  
17 is registered in beneficiary form when the registration  
18 includes a designation of a beneficiary to take the ownership  
19 at the death of the owner or the deaths of all multiple  
20 owners.

21 Sec. 6. NEW SECTION. 633.805 FORM OF REGISTRATION IN  
22 BENEFICIARY FORM.

23 Registration in beneficiary form may be shown by any of the  
24 following, appearing after the name of the registered owner  
25 and before the name of a beneficiary:

26 1. The words "transfer on death" or the abbreviation  
27 "TOD".

28 2. The words "pay on death" or the abbreviation "POD".

29 Sec. 7. NEW SECTION. 633.806 EFFECT OF REGISTRATION IN  
30 BENEFICIARY FORM.

31 The designation of a transfer on death or pay on death  
32 beneficiary on a registration in beneficiary form has no  
33 effect on ownership until the owner's death. A registration  
34 of a security in beneficiary form may be canceled or changed  
35 at any time by the sole owner or all surviving owners without

1 the consent of the beneficiary.

2 Sec. 8. NEW SECTION. 633.807 THE DEATH OF THE OWNER.

3 On the death of a sole owner or on the death of the sole  
4 surviving owner of multiple owners, the ownership of  
5 securities registered in beneficiary form passes to the  
6 beneficiary or beneficiaries who survive all owners. On proof  
7 of death of all owners and compliance with any applicable  
8 requirements of the registering entity, a security registered  
9 in beneficiary form may be reregistered in the name of the  
10 beneficiary or beneficiaries who survived the death of all  
11 owners. A registering entity shall provide notice to the  
12 department of revenue and finance of all reregistrations made  
13 pursuant to this division. The notice shall include the name,  
14 address, and social security number of the descendant and all  
15 transferees. Until the division of the security after the  
16 death of all owners, multiple beneficiaries surviving the  
17 death of all owners hold their interests as tenants in common.  
18 If no beneficiary survives the death of all owners, the  
19 security belongs to the estate of the deceased sole owner or  
20 the estate of the last to die of multiple owners.

21 Sec. 9. NEW SECTION. 633.808 PROTECTION OF REGISTERING  
22 ENTITY.

23 1. A registering entity is not required to offer or to  
24 accept a request for security registration in beneficiary  
25 form. If a registration in beneficiary form is offered by a  
26 registering entity, the owner requesting registration in  
27 beneficiary form assents to the protections provided to the  
28 registering entity by this division.

29 2. By accepting a request for registration of a security  
30 in beneficiary form, the registering entity agrees that the  
31 registration in beneficiary form shall be implemented on the  
32 death of the deceased owner as provided in this division.

33 3. A registering entity is discharged from all claims to a  
34 security by the estate, creditors, heirs, or devisees of a  
35 deceased owner if the registering entity registers a transfer

1 of the security in accordance with section 633.807 and does so  
2 in good faith reliance on all of the following:

- 3 a. The registration.
- 4 b. The provisions of this division.
- 5 c. Information provided by affidavit of the personal  
6 representative of the deceased owner, the surviving  
7 beneficiary, or the surviving beneficiary's representative, or  
8 other information available to the registering entity.

9 The protections of this division do not extend to a  
10 reregistration or payment made after a registering entity has  
11 received written notice from any claimant to any interest in  
12 the security objecting to implementation of a registration in  
13 beneficiary form. No other notice or other information  
14 available to the registering entity affects its right to  
15 protection under this division.

16 4. The protection provided by this division to the  
17 registering entity of a security does not affect the rights of  
18 beneficiaries in disputes between themselves and other  
19 claimants to ownership of the transferred security, its value,  
20 or its proceeds.

21 Sec. 10. NEW SECTION. 633.809 NONTESTAMENTARY TRANSFER  
22 ON DEATH.

23 1. A transfer on death resulting from a registration in  
24 beneficiary form shall be effective by reason of the contract  
25 regarding the registration between the owner and the  
26 registering entity under the provisions of this division, and  
27 is not testamentary.

28 2. The provisions of this division do not limit the rights  
29 of creditors or security owners against beneficiaries and  
30 other transferees under other laws of this state.

31 Sec. 11. NEW SECTION. 633.810 TERMS, CONDITIONS, AND  
32 FORMS FOR REGISTRATION.

33 1. A registering entity offering to accept registrations  
34 in beneficiary form may establish the terms and conditions  
35 under which the registering entity receives requests for

1 either of the following:

2 a. Registration in beneficiary form.

3 b. Implementation of registrations in beneficiary form,  
4 including requests for cancellation of previously registered  
5 transfer on death or pay on death beneficiary designations and  
6 requests for reregistration to effect a change of beneficiary.

7 2. a. The terms and conditions established by the  
8 registering entity may provide for proving death, avoiding or  
9 resolving problems concerning fractional shares, designating  
10 primary and contingent beneficiaries, and substituting a named  
11 beneficiary's descendants to take in place of the name  
12 beneficiary in the event of the beneficiary's death.

13 Substitution may be indicated by appending to the name of the  
14 primary beneficiary the letters "LDPS" standing for "lineal  
15 descendants per stirpes". This designation shall substitute a  
16 deceased beneficiary's descendants who survive the owner for a  
17 beneficiary who fails to survive, with the descendants to be  
18 identified and to share in accordance with the law of the  
19 beneficiary's domicile at the owner's death governing  
20 inheritance by descendants of an intestate. Other forms of  
21 identifying beneficiaries who are to take on one or more  
22 contingencies, and rules for providing proofs and assurances  
23 needed to satisfy reasonable concerns by registering entities  
24 regarding conditions and identities relevant to accurate  
25 implementation of registrations in beneficiary form, may be  
26 contained in a registering entity's terms and conditions.

27 b. The following are illustrations of registrations in  
28 beneficiary form which a registering entity may authorize:

29 (1) Sole owner-sole beneficiary: OWNER'S NAME transfer on  
30 death (TOD) or pay on death (POD) to BENEFICIARY'S NAME.

31 (2) Multiple owners-sole beneficiary: OWNERS' NAMES, as  
32 joint tenants or tenants in the entirety, transfer on death  
33 (TOD) or pay on death (POD) to BENEFICIARY'S NAME.

34 (3) Multiple owners-primary and secondary (substituted)  
35 beneficiaries: OWNERS' NAMES as joint tenants or tenants in

1 the entirety, transfer on death (TOD) or pay on death (POD) to  
2 BENEFICIARY'S NAME, or lineal descendants per stirpes.

3 Sec. 12. APPLICATION. The provisions of this division  
4 apply to registrations of securities in beneficiary form made  
5 before, on, or after the effective date of this Act, by  
6 decedents dying on or after the effective date of this Act.

7 EXPLANATION

8 This bill adopts the uniform transfer on death (TOD)  
9 security registration Act as approved and recommended by the  
10 national conference of commissioners on uniform state laws at  
11 its annual conference on July 28 - August 4, 1989. The bill  
12 allows the owner of securities to register the title in  
13 "transfer-on-death" (TOD) form. The bill provides that a  
14 person (e.g., an issuer or broker) may transfer the securities  
15 directly to the designated transferee on the owner's death,  
16 passing outside the probate process. The registration  
17 provides a nonprobate transfer option without providing for  
18 joint tenancy form of title. The registration form does not  
19 affect the registered owner's control of the affected security  
20 during the lifetime of the owner. The bill provides for the  
21 right of survivorship by registered owners and the rights of  
22 beneficiaries to take the asset upon the death of the last  
23 surviving owner. An issuer is not required to implement the  
24 procedure, and the bill provides protections to the  
25 registering entity who acts in good faith.

26 Specifically the bill includes the following new Code  
27 sections:

28 Section 633.800 provides for citation of the Act as the  
29 Uniform Transfer on Death Security Registration Act and for  
30 liberal construction of the Act to achieve uniformity among  
31 states enacting this Act.

32 Section 633.801 provides definitions of relevant terms used  
33 in TOD registration including "beneficiary form", "heir",  
34 "register", "registering entity", "security", "security  
35 account", and "state".

1 Terms such as "beneficiary form", "register", "registering  
2 entity", "security", and "security account", are new terms to  
3 the Probate Code and relate to securities products generally  
4 and the companies that sell them. The term "security" is  
5 defined similarly to the term defined in the Uniform  
6 Commercial Code (Chapter 554) and is similar to section  
7 554.8102. The bill defines the term "heir" differently than  
8 provided in the probate Code, to include a surviving spouse.

9 Section 633.802 provides that a sole owner or multiple  
10 owners of a security held in survivorship form may elect to  
11 register their ownership in beneficiary form. This  
12 registration is not available to persons holding as tenants in  
13 common.

14 Section 633.803 provides circumstances which must exist  
15 before a security may be registered in beneficiary form and  
16 recognized under the bill's provisions. Further, the bill  
17 provides general rights under Iowa contract law for Iowa  
18 residents who elect beneficiary form registration of products  
19 issued from or held in states that have not adopted the  
20 Uniform Transfer on Death Security Registration Act.

21 Section 633.804 defines how registration in beneficiary  
22 form takes place.

23 Section 633.805 adopts certain words and abbreviations  
24 which will show registration in beneficiary form. These are  
25 "transfer on death", "TOD", "pay on death", and "POD".

26 Section 633.806 explains that a designation of a "TOD" or  
27 "POD" beneficiary has no effect until death of the owner or  
28 the death of the last multiple owner and can be changed  
29 without consent of the beneficiary.

30 Section 633.807 provides that on proof of death and  
31 compliance with any requirements of the registering entity,  
32 the security may be reregistered in the name of the designated  
33 beneficiary. The bill requires the registering entity to  
34 provide notice of reregistrations to the department of revenue  
35 and finance. On the death of the owner, multiple

1 beneficiaries will hold as tenants in common. The bill also  
2 provides guidelines for circumstances when no beneficiary  
3 survives.

4 Section 633.808 provides that a registering entity which  
5 elects to provide registration of securities in beneficiary  
6 form agrees to the conditions of this division. The  
7 registering entity is discharged from other claims to the  
8 security if it acts in good faith reliance on the registration  
9 and information provided by affidavit. The section provides  
10 that it does not provide protection to a registering entity  
11 which reregisters or distributes a security after receiving  
12 written notice of an objection to registration in beneficiary  
13 form. The bill does not attempt to regulate the rights or  
14 claims of beneficiaries in disputes among themselves.

15 Section 633.809 provides that transfers made under the  
16 bill's provisions are not testamentary and do not limit the  
17 rights of creditors against beneficiaries.

18 Section 633.810 provides that the registering entity may  
19 define the precise forms and conditions for registration in  
20 beneficiary form. This includes examples of recommended  
21 registrations to be used by registering entities to resolve  
22 questions regarding fractional shares.

23 Section 12 of the bill provides for application of the  
24 provisions of the bill to registrations of securities in  
25 beneficiary form which predate or postdate adoption of the  
26 bill for decedents dying on or after the effective date of the  
27 bill.

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