
CHAPTER 46—H.F.No.1939
[Coded in Part]

An act relating to the uniform commercial code; the holding and transferring of investment securities; amending Minnesota Statutes 1971, Sections 336.8-102: 336.8-320; and Chapter 520, by adding a section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1971, Section 336.8-102, is amended to read:

336.8-102 UNIFORM COMMERCIAL CODE; INVESTMENT SECURITIES; DEFINITIONS AND INDEX OF DEFINITIONS. (1) In this article unless the context otherwise requires:

(a) A "security" is an instrument which

(i) is issued in bearer or registered form; and

(ii) is of a type commonly dealt in upon securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment; and

(iii) is either one of a class or series or by its terms is divisible into a class or series of instruments; and

(iv) evidences a share, participation or other interest in property or in an enterprise or evidences an obligation of the issuer.

(b) A writing which is a security is governed by this article and not by uniform commercial code — commercial paper even though it also meets the requirements of that article. This article does not apply to money.

(c) A security is in "registered form" when it specifies a person entitled to the security or the rights it evidences and when its transfer may be registered upon books maintained for that purpose by or on behalf of an issuer or the security so states.

(d) A security is in "bearer form" when it runs to bearer according to its terms and not by reason of any endorsement.

(2) A "subsequent purchaser" is a person who takes other than by original issue.

(3) A "clearing corporation" is a corporation ~~and~~

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(a) at least 90 percent of the capital stock of which is held by or for one or more persons, other than individuals, each of whom

(i) is subject to supervision or regulation pursuant to the provisions of federal or state banking laws or state insurance laws, or

(ii) is a broker or dealer or investment company registered under the securities exchange act of 1934 or the investment company act of 1940, or

(iii) is a national securities exchange or association registered under a statute of the United States such as the securities exchange act of 1934 ,

and none of whom, other than a national securities exchange or association, holds in excess of twenty percent of the capital stock of such corporation; and

(b) any remaining capital stock of which is held by individuals who have purchased such capital stock at or prior to the time of their taking office as directors of such corporation and who have purchased only so much of such capital stock as may be necessary to permit them to qualify as such directors .

(4) A "custodian bank" is any bank or trust company which is supervised and examined by state or federal authority having supervision over banks and which is acting as custodian for a clearing corporation.

(5) Other definitions applying to this article or to specified parts thereof and the sections in which they appear are:

"Adverse claim," section 336.8-301.

"Bona fide purchaser," section 336.8-302.

"Broker," section 336.8-303.

"Guarantee of the signature," section 336.8-402.

"Intermediary bank," section 336.4-105.

"Issuer," section 336.8-201.

"Overissue," section 336.8-104.

(6) In addition article 1 contains general definitions and principles of construction and interpretation applicable throughout this article.

Sec. 2. Minnesota Statutes 1971, Section 336.8-320, is amended to read:

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336.8-320 TRANSFER OR PLEDGE WITHIN A CENTRAL DEPOSITORY SYSTEM. (1) If a security

(a) is in the custody of a clearing corporation or of a custodian bank or a nominee of either subject to the instructions of the clearing corporation; and

(b) is in bearer form or endorsed in blank by an appropriate person or registered in the name of the clearing corporation or custodian bank or a nominee of either; and

(c) is shown on the account of a transferor or pledgor on the books of the clearing corporation;

then, in addition to other methods, a transfer or pledge of the security or any interest therein may be effected by the making of appropriate entries on the books of the clearing corporation reducing the account of the transferor or pledgor and increasing the account of the transferee or pledgee by the amount of the obligation or the number of shares or rights transferred or pledged.

(2) Under this section entries may be with respect to like securities or interests therein as a part of a fungible bulk and may refer merely to a quantity of a particular security without reference to the name of the registered owner, certificate or bond number or the like and, in appropriate cases, may be on a net basis taking into account other transfers or pledges of the same security.

(3) A transfer or pledge under this section has the effect of a delivery of a security in bearer form or duly endorsed in blank (section 336.8-301) representing the amount of the obligation or the number of shares or rights transferred or pledged. If a pledge or the creation of a security interest is intended, the making of entries has the effect of a taking of delivery by the pledgee or a secured party (sections 336.9-304 and 336.9-305). A transferee or pledgee under this section is a holder.

(4) A transfer or pledge under this section does not constitute a registration of transfer under part 4 of this article.

(5) That entries made on the books of the clearing corporation as provided in subsection (1) are not appropriate does not affect the validity or effect of the entries nor the liabilities or obligations of the clearing corporation to any person adversely affected thereby.

(6) Under this section a clearing corporation shall, upon written request, furnish to any issuer within a reasonable time a list disclosing the names of all persons who have securities of the issuer in their account with a depository and including a statement of the principal amount or number of units of each such security of the issuer on deposit. The clearing corporation may charge the issuer a fee for such written list provided, however, that the fee shall bear a reasonable re-

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lation to the cost of furnishing such list.

Sec. 3. Minnesota Statutes 1971, Chapter 520, is amended by adding a section to read:

[520.32] DEPOSIT OF SECURITIES IN CENTRAL DEPOSITORY.

Subdivision 1. Notwithstanding any other provision of law, any fiduciary, as defined in section 520.01 or 520.21, holding securities in its fiduciary capacity, any bank or trust company holding securities as a custodian or managing agent, and any bank or trust company holding securities as custodian for a fiduciary is authorized to deposit or arrange for the deposit of such securities in a clearing corporation, as defined in section 336.8-102. When such securities are so deposited, certificates representing securities of the same class of the same issuer may be merged and held in bulk in the name of the nominee of such clearing corporation with any other such securities deposited in such clearing corporation by any person regardless of the ownership of such securities, and certificates of small denomination may be merged into one or more certificates of larger denomination. The records of such fiduciary and the records of such bank or trust company acting as custodian, as managing agent or as custodian for a fiduciary shall at all times show the name of the party for whose account the securities are so deposited. Title to such securities may be transferred by bookkeeping entry on the books of such clearing corporation without physical delivery of certificates representing such securities. A bank or trust company so depositing securities pursuant to this section shall be subject to such rules and regulations as, in the case of state chartered institutions, the state department of commerce and, in the case of national banking associations, the comptroller of the currency may from time to time issue. A bank or trust company acting as custodian for a fiduciary shall, on demand by the fiduciary, certify in writing to the fiduciary the securities so deposited by such bank or trust company in such clearing corporation for the account of such fiduciary. A fiduciary shall, on demand by any party to a judicial proceeding for the settlement of such fiduciary's account or on demand by the attorney for such party, certify in writing to such party the securities deposited by such fiduciary in such clearing corporation for its account as such fiduciary.

Subd. 2. This section shall apply to any fiduciary holding securities in its fiduciary capacity, and to any bank or trust company holding securities as a custodian, managing agent or custodian for a fiduciary, acting on the effective date of this section or who thereafter may act regardless of the date of the agreement, instrument or court order by which it is appointed and regardless of whether or not such fiduciary, custodian, managing agent or custodian for a fiduciary owns capital stock of such clearing corporation.

Sec. 4. This act is effective the day following its final enactment.

Approved February 13, 1974.

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