

Introduced: 2/9/70  
Referred: Commerce and  
Judiciary

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 638

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the transfer or pledge of  
7 securities within a central depository system under  
8 the Uniform Commercial Code; and providing for an  
9 effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 \* Section 1. AS 45.05.614 is amended to read:

12 Sec. ~~45.05.614~~. DEFINITIONS AND INDEX OF DEFINITIONS. (a) In  
13 secs. 612 - 688 of this chapter, unless the context otherwise requires,

14 (1) a "security" is an instrument which

15 (A) is issued in bearer or registered form;

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

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

21 (D) evidences a share, participation, or other interest  
22 in property or in an enterprise or evidences an obligation of the  
23 issuer;

24 (2) a writing which is a security is governed by secs. 612 -  
25 688 of this chapter and not by Uniform Commercial Code - Commercial  
26 Paper even though it also meets the requirements of secs. 246 - 402 of  
27 this chapter; secs. 612 - 688 of this chapter do not apply to money;

28 (3) a security is in "registered form" if it specifies a  
29 person entitled to the security or to the rights it evidences and if

1 its transfer may be registered upon books maintained for that purpose  
2 by or on behalf of an issuer or the security so states;

3 (4) a security is in "bearer form" if it runs to bearer  
4 according to its terms and not by reason of an endorsement.

5 (b) "Proper form" means regular on its face with regard to all  
6 formal matters.

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

9 (d) A "clearing corporation" is a corporation all of the capital  
10 stock of which is held by or for a national securities exchange or  
11 association, registered under a statute of the United States such as  
12 the Securities Exchange Act of 1934.

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

16 (f) [D] Other definitions apply to secs. 612 - 688 of this chapter  
17 or to specific sections, and the sections in which they appear are:

- 18 (1) "adverse claim" (sec. 640)
- 19 (2) "bona fide purchaser" (sec. 642)
- 20 (3) "broker" (sec. 644)
- 21 (4) "guarantee of the signature" (sec. 680)
- 22 (5) "intermediary bank" (sec. 412)
- 23 (6) "issuer" (sec. 624)
- 24 (7) "overissue" (sec. 618)

25 (g) [E] In addition, secs. 1 - 34 of this chapter contain  
26 general definitions and principles of construction and interpretation  
27 applicable throughout secs. 612 - 688 of this chapter. (sec. 8.102  
28 ch 114 SLA 1962)

29 \* Sec. 2. AS 45.05.664 is repealed and re-enacted to read:

1           Sec. ~~45.05.664~~. WHEN DELIVERY TO THE PURCHASER OCCURS;  
2 PURCHASER'S BROKER AS HOLDER. (a) Delivery to the purchaser occurs  
3 when

4           (1) he or a person designated by him acquires possession  
5 of a security;

6           (2) his broker acquires possession of a security specially  
7 endorsed to or issued in the name of the purchaser; or

8           (3) his broker sends him confirmation of the purchase and  
9 also by book entry or otherwise identifies a specific security in the  
10 broker's possession as belonging to the purchaser;

11           (4) with respect to an identified security to be delivered  
12 while still in the possession of a third person when that person  
13 acknowledges that he holds for the purchaser;

14           (5) appropriate entries are made on the books of a  
15 clearing corporation as provided in sec. 677 of this chapter.

16           (b) The purchaser is the owner of a security held for him by  
17 his broker, but is not the holder except as specified in paragraphs  
18 (a)(2), (3) and (5) of this section. Where a security is part of a  
19 fungible bulk the purchaser is an owner of a proportionate property  
20 interest in the fungible bulk.

21           (c) Notice of an adverse claim received by the broker or by the  
22 purchaser after the broker takes delivery as a holder for value is  
23 not effective either as to the broker or as to the purchaser.  
24 However, as between the broker and the purchaser the purchaser may  
25 demand delivery of an equivalent security as to which no notice of  
26 an adverse claim has been received.

27 \* Sec. 3. AS 45.05 is amended by adding a new section to read:

28           Sec. 45.05.677. TRANSFER OR PLEDGE WITHIN A CENTRAL DEPOSITORY  
29 SYSTEM. (a) In addition to other methods provided for in this

1 chapter, a transfer or pledge of a security or any interest in a  
2 security may be made by appropriate entries on the books of a clearing  
3 corporation reducing the account of the transferor or pledgor and  
4 increasing the account of the transferee or pledgee by the amount  
5 of the obligation or the number of shares or rights transferred or  
6 pledged if the security

7 (1) is in the custody of a clearing corporation or of a  
8 custodian bank or a nominee of either subject to the instructions of  
9 the clearing corporation;

10 (2) is in bearer form or indorsed in blank by an  
11 appropriate person or registered in the name of the clearing  
12 corporation or custodian bank or a nominee of either; and

13 (3) is shown on the account of a transferor or pledgor on  
14 the books of the clearing corporation.

15 (b) A transfer or pledge of securities or interest in securities  
16 which are part of a fungible bulk may be made pursuant to this section  
17 by entries on the books of a clearing corporation without reference  
18 to the name of the registered owner, certificate or bond number, or  
19 other factor serving to identify ownership of a particular portion of  
20 the total bulk of securities; and, in appropriate cases, may be on a  
21 net basis taking into account other transfers or pledges of the same  
22 security.

23 (c) A transfer or pledge under this section has the effect of  
24 a delivery of a security in bearer form or duly indorsed in blank  
25 representing the amount of the obligation or the number of shares or  
26 rights transferred or pledged and if a pledge or the creation of a  
27 security interest is intended, the making of entries has the effect  
28 of a taking of delivery by the pledgee or a secured party. A  
29 transferee or pledgee under this section is the holder.

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(d) A transfer or pledge under this section does not constitute a registration of transfer under secs. 678 - 688.

(e) Failure to make appropriate entries on the books of the clearing corporation as provided in (a) of this section does not affect the validity or effect of the entries nor does it affect the liabilities or obligations of the clearing corporation to any person adversely affected thereby.

\* Sec. 4. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.