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Who Holds Your Corporate Stock Shares?

Many clients own corporate stock. In this newsletter I outline the two major ways in which stock is held and discuss the reasons you should consider having a brokerage firm hold your shares.

Several Ways That Corporate Stock is Held

One way your shares can be held is to have a brokerage firm hold the shares in their name on your behalf.

However, your corporate stock might be held by you and not by a brokerage house. You may have possession of the physical paper shares or you may have digital shares. In recent years corporations stopped issuing paper stock certificates and moved entirely to digital shares.

Clients who have possession of their physical paper shares usually obtained them in one of several ways. Some clients inherited the shares from a deceased family member and then had the shares retitled in their name by the transfer agent through the probate or trust administration process. If the deceased family member held the shares in their own name and not in the name of a brokerage firm, and the client inherits the shares, many clients will continue to hold the shares in their name.

Sometimes a client will purchase shares over a long period of time and hold them in their own name. The client may purchase a fraction of a share each month directly from the corporate issuer. For example, a number of clients participate in the Dominion Energy Virginia plan to buy Dominion stock each month. When shares are purchased in this way, the shares are held by the Corporate Transfer Agent like Computershare.

When a client holds shares in their name, at the point in time when the client wants to sell or transfer the shares, he must deal directly with the Transfer Agent for the Corporation's stock.

Transferring Shares Using the Corporate Transfer Agent

The client must contact the Corporate Transfer Agent and request the correct form to complete the transaction. For example, the client may wish to sell the shares, retitle the shares in the name of a trust, or gift the shares to a third party. Each of these actions may require a different form. Ask for the wrong form or complete the form incorrectly, and the Transfer Agent will not be able to act on your request.

The Medallion Guarantee

Assuming you have the right form for the action you wish to take, and that you completed the form correctly, you may need to have the form notarized and your signature guaranteed by a bank via the Medallion Guarantee process.

A medallion signature guarantee is a guarantee by the transferring financial institution that the signature is genuine and the financial institution accepts liability for any forgery. This process protects shareholders from unauthorized transfers.

In issuing the Medallion Guarantee your bank warrants that your signature is genuine, you are an appropriate person to endorse, and you have the legal capacity to sign. The Medallion Guarantee is a binding warranty issued by an authorized bank officer of an authorized guarantor institution. Not all banks have a bank officer with the authority to issue a Medallion Guarantee or participate in the program. To insure that your signature can be guaranteed by your bank, you should be an established customer with a good credit score.

If you live outside the United States, you are unlikely to obtain a medallion signature guarantee stamp.

The “Medallion” is not in fact a medallion but a florescent yellow stamp that cannot be photocopied.

Transfer Agent Received Your Request

Once the Transfer Agent receives your properly documented request, the Transfer Agent will take action. If you ask the Transfer Agent to sell the shares, the shares will be sold as soon as possible. The Transfer Agent will not wait for the “best” time to execute the trade.

Brokerage Account

The best way to avoid all of the potential complications of using a Corporate Transfer Agent is to open a brokerage account. If you engaged a financial advisor, the advisor can work with any shares that you own in your own name to take the action you request.

If you don't want to hire a financial advisor, you can set up a discount brokerage account and work with the Customer Service representatives to complete your transaction.