



AUTHOR / KEY CONTACT

# Medallion Signature



Lucy Wadley  
Associate

✉ [lucy.wadley@la-law.com](mailto:lucy.wadley@la-law.com)  
☎ 01202 786208

Unless you have had the misfortune of trying to deal with North American shares, you have probably never heard of [Medallion Signature Guarantees](#).

Medallions Guarantees are used for the transfer of securities (usually stocks and shares) in the US and Canada, and therefore even the most savvy of UK shareholders may have never heard whisper of the elusive medallion.

The medallion is a barcoded stamp applied to a document signed by the person authorised to attend to the assets. It provides a guarantee to the company who has requested the stamp, to allow them to rely on that signature when processing a transfer of securities.

## Medallion Signature

A transfer of securities can include changing ownership of shares, a name change or when you register the death of the owner.

## History of Medallion Signature Guarantees

Companies which issue North American securities together with the US and Canadian transfer agents, which are equivalent to UK share registrars, have been depending upon the signature guarantee process for over a hundred years now.

This guarantying of a signature under the medallion programme is treated as a warranty. The provider of the medallion stamp is confirming to the company who has requested the guarantee the following:

1. They have checked that the signature is genuine;
2. They have checked that the signer is an appropriate person to sign the papers to attend to the assets, or if the signature is by an agent, the agent had actual authority to act on behalf of the appropriate person; and

3. They have checked that the signer had legal capacity to sign.

If any company who had requested the medallion stamp relied on the above warranties being met when processing a document with a guarantee stamp, only to later find out that this was not the case, they would be able to take action against the guarantor of the signature for any loss suffered.

## Modern Medallions

Medallions as they are now, were brought about in the 1990s when there were growing concerns about incidents of fraud. With an increase in terrorism and money laundering, there was a concerted effort, worldwide, to improve identification procedures for financial institutions.

The current medallions are barcoded stamps which can only be provided by those guarantors signed up to one of the medallion programmes. Once on the programme, the guarantor is provided with specialised equipment to provide the stamp, and the ink used cannot be replicated, allowing the registrars to easily detect if a stamp provided is fake or not.

The signature guarantee programmes which are endorsed by the Securities Transfer Associate are the Securities Transfer Agents Medallion Program (STAMP) and the Stock Exchanges Medallion Program (SEMP). There are over 7000 guarantors signed up as members to these programmes. Signature requests for non-securities are usually dealt with under a different programme.

## Who are the Guarantors?

Historically, only US and Canadian companies such as Banks or Stock Brokers have been allowed to sign up to these programmes, which has always made obtaining medallions a challenge for overseas holders of North American stocks or shares. Due to risk that guarantors expose themselves to in providing these warranties to the asset companies; many have been reluctant to become involved in providing this service to overseas asset holders.

Due to the demand for such a service, agreements were made between some guarantor banks and companies, such as Lester Aldridge, which allowed for the guarantees to be obtained. The instructing company based in the UK would carry out all the required checks to confirm to the guarantor that all the warranties could be met, and the application would then be dealt with via a postal system to Canada or the US.

## Medallion Signature UK

Unfortunately, due to increases in fraud and counterfeiter, guarantors who were signed up to the medallion

program became more nervous about the risk that they were exposed to. As a result, there have been two long periods in the past five years when none of the guarantors have been willing to provide this service to overseas investors. What has recently resulted is almost a year's worth of estates being stalled in administration as the overseas shares could not be dealt with.

Enquiries were logged by many to the US Embassy and to the Securities Exchange Commission (SEC) to request assistance with this issue, but unfortunately the requirement for medallions could not be altered. The registrars advised that their hands were tied by regulations they had no power over.

Finally, due to mounting pressure from overseas investors and firms, including Lester Aldridge, the programme administrators recognised the need for reform of the programme, and for the first time in history, after flying to the UK to meet with some of the companies affected by the lack of service, they allowed UK based institutions to sign up to be guarantors, reducing the risk of the UK market being without a stamp provider again in the future.

## Why do UK shareholders need to know about medallions?

While those shareholders who have chosen to have shares in US or Canadian companies might be familiar with Signature Guarantee requirements, there have been many instances of UK share companies either merging or spinning off shares in North American companies, resulting in UK shareholders suddenly becoming owners of North American shares. They subsequently have had to comply with new documentary requirements when dealing with their investments.

Previous shareholders of Cadbury's-Schweppes would now hold shares in three US companies: Dr Pepper Snapple, Kraft and Mondelez International. Due to a recent announcement of a new merge, they will soon have shares in Heinz too.

Similarly, many people overseas have shares connected to Covidien or Tyco. Covidien had its headquarters in Ireland, but has recently been bought out by Medtronic. Shareholders in pre-split Tyco shares would now find that they hold shares in ADT, Pentair, Tyco International, TE Connectivity, Medtronic and Mallinckrodt Pharmaceuticals. All of which would have US documentary requirements.

Many people in the UK work for foreign owned and registered companies. These companies often issue shares to their employees, sometimes in the form of ESPP shares. Therefore employees of IBM or JP Morgan often find themselves with US shares and subject to Medallion Signature Guarantee requirements.

## How can Lester Aldridge help?

Through a special relationship with a UK based stock broker firm we have access to a UK based medallion guarantor and thus we are able to assist those who have to attend the administration of estates where there is a

deceased shareholder with North American securities.

The guarantor we use will not take instructions directly from individuals, and therefore Lester Aldridge gather the required identification documentation and estate papers needed to ensure that all the warranties for a medallion can be met, and we are then able to obtain the required stamps from the UK based provider.

Complimentary services include applying for and obtaining IRS clearance by way of transfer certificates and 706 applications, applying for surety bonds to obtain replacements for missing share certificates, and dealing with US unclaimed property applications, among a host of other services.

If you require assistance with the administration of an estate where a medallion signature guarantee is required, please contact the [International Probate](#) team at Lester Aldridge, who would be pleased to assist you.