

1985 Senate Bill 152

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## 1985 Wisconsin Act 237

AN ACT *to repeal* 408.102 (1) (b) 2, 408.102 (1) (e), 408.301 (2), 408.308 (3) (intro.) and (a), 408.312 (1) (b) and 408.320 (1) (c); *to renumber* 408.102 (1) (f), 408.102 (5) (d), 408.102 (5) (e) to (g), 408.108 and 408.207 (2); *to renumber and amend* 408.102 (1) (b) (intro.) and 1, 408.102 (1) (b) 3, 408.102 (1) (c), 408.102 (1) (d), 408.102 (2), 408.105 (2) (intro.) and (a) to (d), 408.107 (2) (b), 408.201 (1) (b) and (c), 408.204, 408.301 (3), 408.302, 408.304 (2), 408.306 (5), 408.308 (3) (b) to (g) and (4), 408.308 (5), 408.308 (6) and (7), 408.312 (2), 408.312 (3), 408.313 (1) (b) to (d), 408.313 (1) (e), 408.317 (2) and 408.320 (1) (intro.), (a) and (b); *to consolidate, renumber and amend* 408.202 (2) (a) and (b); *to amend* 401.201 (5), (14) and (20), 405.114 (2) (intro.) and (a), 408.102 (1) (a), 408.103, 408.104, 408.105 (title) and (1), 408.106, 408.107 (title), (1) and (2) (intro.) and (a), 408.201 (1) (intro.) and (a), 408.201 (2) and (3), 408.202 (1), 408.202 (3) to (5), 408.203, 408.205, 408.206 (title), (1) (intro.) and (b) and (2), 408.207 (title) and (1), 408.208 (1) (intro.), (a) and (b), 408.301 (title) and

(1), 408.302 (title), 408.303, 408.304 (1) (intro.) and (a), 408.305 (intro.) and (1), 408.306 (title), (1), (2) (intro.), (a) and (c), (3) and (4), 408.307, 408.308 (title), (1) and (2), 408.309, 408.310, 408.311, 408.312 (title) and (1) (a) (intro.) and 1, 408.313 (title) and (1) (intro.) and (a), 408.313 (2) and (3), 408.314, 408.315, 408.316, 408.317 (title) and (1), 408.318, 408.319 (1) and (2), 408.320 (title), 408.320 (2) to (5), 408.401 (title), (1) (intro.), (a) to (c) and (e) and (2), 408.402 (title), (1), (2), (3) (a) and (b) and (4), 408.403 (title), (1), (2) (b) and (3) (intro.) and (a), 408.404 (1) and (2) (intro.), (a) and (c), 408.405 (title), (1), (2) (intro.) and (a) and (3), 408.406 (1) (intro.) and (b) and (2), 409.103 (3) (a), 409.105 (1) (i), 409.203 (1) (intro.) and (a), 409.302 (1) (f), 409.304 (1), (4) and (5) (intro.), 409.305, 409.309 (title) and 409.312 (7); and *to create* 408.102 (1) (b), 408.102 (1) (h), 408.102 (5) (d), 408.102 (5) (e), (g), (h), (L) and (m), 408.103 (2), 408.105 (2) and (3) (d), 408.107 (2) (b), 408.108, 408.201 (1) (b), 408.204 (1) and (2), 408.206 (3) and (4), 408.207 (2) to (6), 408.302 (1) (b) and (c) and (2) to (4), 408.304 (2), 408.306 (5) to (9), 408.308 (4), 408.308 (5), (6), (7) and (8) (intro.), 408.312 (2), 408.312 (3), (4), (6) and (7), 408.313 (1) (b), 408.313 (1) (f) and (h) to (j), 408.313 (4), 408.314 (1) (a) 2 to 4, 408.317 (2) to (5), 408.320 (1) (intro.) and (b), 408.321, 408.403 (4) to (7), 408.404 (3), 408.407, 408.408 and 409.103 (6) of the statutes, *relating to* uncertificated securities and revision of article 8 of the uniform commercial code.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

SECTION 1. 401.201 (5), (14) and (20) of the statutes are amended to read:

401.201 (5) "Bearer" means the person in possession of an instrument, document of title, or certificated security payable to bearer or ~~indorsed~~ endorsed in blank.

(14) "Delivery" with respect to instruments, documents of title, chattel paper or certificated securities means voluntary transfer of possession.

(20) "Holder" means a person who is in possession of a document of title or an instrument or ~~an a~~ certificated investment security drawn, issued or ~~indorsed~~ endorsed to him or her or to his or her order or to bearer or in blank.

SECTION 2. 405.114 (2) (intro.) and (a) of the statutes are amended to read:

405.114 (2) (intro.) Unless otherwise agreed when documents appear on their face to comply with the terms of a credit but a required document does not in fact conform to the warranties made on negotiation or transfer of a document of title (s. 407.507) or of a certificated security (s. 408.306) or is forged or fraudulent or there is fraud in the transaction:

(a) The issuer must honor the draft or demand for payment if honor is demanded by a negotiating bank or other holder of the draft or demand which has taken the draft or demand under the credit and under circumstances which would make it a holder in due course (s. 403.302) and in an appropriate case would make it a person to whom a document of title has been duly negotiated (s. 407.502) or a bona fide purchaser of a certificated security (s. 408.302); and

SECTION 3. 408.102 (1) (a) of the statutes is amended to read:

408.102 (1) (a) A certificated security is in "bearer form" ~~when if~~ it runs to bearer according to its terms and not by reason of any ~~indorsement~~ endorsement.

SECTION 4. 408.102 (1) (b) (intro.) and 1 of the statutes are renumbered 408.102 (1) (c) (intro.) and 1 and amended to read:

408.102 (1) (c) (intro.) A "clearing corporation" is a corporation registered as a clearing agent under the federal securities laws or a corporation:

1. ~~At least 90% of the whose~~ capital stock ~~of which~~ is held by or for one or more ~~persons (other than individuals)~~, organizations, none of which, other than a national securities exchange or association, holds in excess of 20% of the capital stock of the corporation, and each of whom which is:

a. ~~Is subject~~ Subject to supervision or regulation ~~pursuant to~~ under federal or state banking laws or state insurance laws;

b. ~~Is a~~ A broker, dealer or investment company registered under the ~~securities exchange act of 1934 or the investment company act of 1940~~ federal securities laws; or

c. ~~Is a~~ A national securities exchange or association registered under ~~a statute of the United States such as the securities exchange act of 1934;~~ the federal securities laws.

SECTION 5. 408.102 (1) (b) 2 of the statutes is repealed.

SECTION 6. 408.102 (1) (b) 3 of the statutes is renumbered 408.102 (1) (c) 2 and amended to read:

408.102 (1) (c) 2. Any remaining capital stock of which is held by individuals who have purchased ~~such capital stock~~ it at or prior to the time of their taking office as directors of ~~such the~~ corporation and who have purchased only so much of ~~such the~~ capital stock as ~~may be~~ is necessary to permit them to qualify as ~~such~~ directors.

SECTION 7. 408.102 (1) (b) of the statutes is created to read:

408.102 (1) (b) A "certificated security" is a share, participation or other interest in property of or an enterprise of the issuer or an obligation of the issuer which is:

1. Represented by an instrument issued in bearer or registered form;

2. Of a type commonly dealt in on securities exchanges or markets or commonly recognized in any

area in which it is issued or dealt in as a medium for investment; and

3. Either one of a class or series or by its terms divisible into a class or series of shares, participations, interests or obligations.

SECTION 8. 408.102 (1) (c) of the statutes is renumbered 408.102 (1) (d) and amended to read:

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

SECTION 9. 408.102 (1) (d) of the statutes is renumbered 408.102 (1) (e) and amended to read:

408.102 (1) (e) A certificated security is in "registered form" ~~when it is~~ if:

1. It specifies a person entitled to the security or to the rights it evidences represents; and when its

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

SECTION 10. 408.102 (1) (e) of the statutes is repealed.

SECTION 11. 408.102 (1) (f) of the statutes is renumbered 408.102 (1) (g).

SECTION 12. 408.102 (1) (h) of the statutes is created to read:

408.102 (1) (h) An "uncertificated security" is a share, participation or other interest in property or an enterprise of the issuer or an obligation of the issuer which is:

1. Not represented by an instrument and the transfer of which is registered upon books maintained for that purpose by or on behalf of the issuer;

2. Of a type commonly dealt in on securities exchanges or markets; and

3. Either one of a class or series or by its terms divisible into a class or series of shares, participations, interests or obligations.

SECTION 13. 408.102 (2) of the statutes is renumbered 408.102 (1) (f) and amended to read:

408.102 (1) (f) A "security" is either a certificated or an uncertificated security. If a security is certificated, the terms "security" and "certificated security" may mean either the intangible interest, the instrument representing that interest, or both, as the context requires. A writing which that is a certificated security is governed by this chapter and not by ch. 403 even though it also meets the requirements of that chapter. This chapter does not apply to money. If a certificated security has been retained by or surrendered to the issuer or its transfer agent for reasons other than registration of transfer, other temporary purpose, payment, exchange or acquisition by the issuer, that security shall be treated as an uncertificated security for purposes of this chapter.

SECTION 14. 408.102 (5) (d) of the statutes is renumbered 408.102 (5) (f).

SECTION 15. 408.102 (5) (d) of the statutes is created to read:

408.102 (5) (d) "Debtor" — s. 409.105.

SECTION 16. 408.102 (5) (e) to (g) of the statutes are renumbered 408.102 (5) (i) to (k).

SECTION 17. 408.102 (5) (e), (g), (h), (L) and (m) of the statutes are created to read:

408.102 (5) (e) "Financial intermediary" — s. 408.313.

(g) "Initial transaction statement" — s. 408.408.

(h) "Instruction" — s. 408.308.

(L) "Secured party" — s. 409.105.

(m) "Security agreement" — s. 409.105.

SECTION 18. 408.103 of the statutes is amended to read:

**408.103 Issuer's lien.** A lien upon a security in favor of an issuer thereof is valid against a purchaser only if:

(1) The security is certificated and the right of the issuer to such the lien is noted conspicuously on the security thereon; or

SECTION 19. 408.103 (2) of the statutes is created to read:

408.103 (2) The security is uncertificated and a notation of the right of the issuer to the lien is contained in the initial transaction statement sent to the purchaser or, if his or her interest is transferred to him or her other than by registration of transfer, pledge or release, the initial transaction statement sent to the registered owner or the registered pledgee.

SECTION 20. 408.104 of the statutes is amended to read:

**408.104 Effect of overissue; "overissue".** (1) The provisions of this chapter which validate a security or compel its issue or reissue do not apply to the extent that validation, issue or reissue would result in overissue, but if:

(a) ~~If an~~ An identical security which does not constitute an overissue is reasonably available for purchase, the person entitled to issue or validation may compel the issuer to purchase ~~and deliver such a the security to for him or her and either to deliver a certificated security or to register the transfer of an uncertificated security to him or her,~~ against surrender of the any certificated security, if any, which he or she holds; or

(b) ~~If a~~ A security is not so available for purchase, the person entitled to issue or validation may recover from the issuer the price he ~~or she~~ or the last purchaser for value paid for it with interest from the date of his ~~or her~~ demand.

(2) "Overissue" means the issue of securities in excess of the amount ~~which~~ the issuer has corporate power to issue.

SECTION 21. 408.105 (title) and (1) of the statutes are amended to read:

**408.105 (title) Certificated securities negotiable; statements and instructions not negotiable; presump-**

tions. (1) ~~Securities~~ Certificated securities governed by this chapter are negotiable instruments.

SECTION 22. 408.105 (2) (intro.) and (a) to (d) of the statutes are renumbered 408.105 (3) (intro.), (a) to (c) and (e), and 408.105 (3) (a) to (c) and (e), as renumbered, are amended to read:

408.105 (3) (a) Unless specifically denied in the manner provided in s. 891.25, each signature on ~~the a~~ certificated security or, in a necessary indorsement endorsement on an initial transaction statement, or on an instruction, is admitted;

(b) ~~When~~ If the effectiveness of a signature is put in issue the burden of establishing it is on the party claiming under the signature but the signature is presumed to be genuine or authorized;

(c) ~~When~~ If signatures on a certificated security are admitted or established production of the instrument security entitles a holder to recover on it unless the defendant establishes a defense or a defect going to the validity of the security; ~~and.~~

(e) After it is shown that a defense or defect exists, the plaintiff has the burden of establishing that he or she or some person under whom he or she claims is a person against whom the defense or defect is ineffective (s. 408.202).

SECTION 23. 408.105 (2) and (3) (d) of the statutes are created to read:

408.105 (2) Statements (s. 408.108), notices, or the like, sent by the issuer of uncertificated securities and instructions (s. 408.308) are neither negotiable instruments nor certificated securities.

(3) (d) If signatures on an initial transaction statement are admitted or established, the facts stated in the statement are presumed to be true as of the time of its issuance; and

SECTION 24. 408.106 of the statutes is amended to read:

**408.106 Applicability.** The law (including conflict of laws rules) of the jurisdiction of organization of the issuer governs the validity of a security, the effectiveness of registration by the issuer and the rights and duties of the issuer with respect to registration all of the following:

(1) Registration of transfer are governed by the law (including the conflict of laws rules) of the jurisdiction of organization of the issuer of a certificated security.

(2) Registration of transfer, pledge or release of an uncertificated security.

(3) Sending of statements of uncertificated securities.

SECTION 25. 408.107 (title), (1) and (2) (intro.) and (a) of the statutes are amended to read:

**408.107 (title) Securities transferable; action for price.** (1) Unless otherwise agreed and subject to any applicable law or regulation respecting short sales, a person obligated to ~~deliver~~ transfer securities may ~~deliver~~ transfer any certificated security of the speci-

fied issue in bearer form or registered in the name of the transferee, or ~~indorsed~~ endorsed to him or her or in blank or he or she may transfer an equivalent uncertificated security to the transferee or a person designated by the transferee.

(2) (intro.) ~~When~~ If the buyer fails to pay the price as it comes due under a contract of sale the seller may recover the price of:

(a) ~~Of~~ Certificated securities accepted by the buyer; and.

SECTION 26. 408.107 (2) (b) of the statutes is renumbered 408.107 (2) (c) and amended to read:

408.107 (2) (c) ~~Of other~~ Other securities if efforts at their resale would be unduly burdensome or if there is no readily available market for their resale.

SECTION 27. 408.107 (2) (b) of the statutes is created to read:

408.107 (2) (b) Uncertificated securities that have been transferred to the buyer or a person designated by the buyer.

SECTION 28. 408.108 of the statutes is renumbered 408.109.

SECTION 29. 408.108 of the statutes is created to read:

**408.108 Registration of pledge and release of uncertificated securities.** A security interest in an uncertificated security may be evidenced by the registration of pledge to the secured party or a person designated by him or her. There can be no more than one registered pledge of an uncertificated security at any time. The registered owner of an uncertificated security is the person in whose name the security is registered, even if the security is subject to a registered pledge. The rights of a registered pledgee of an uncertificated security under this chapter are terminated by the registration of release.

SECTION 30. 408.201 (1) (intro.) and (a) of the statutes are amended to read:

408.201 (1) (intro.) With respect to obligations on or defenses to a security, "issuer" includes a person who:

(a) Places or authorizes the placing of his or her name on a certificated security (otherwise than as authenticating trustee, registrar, transfer agent or the like) to evidence that it represents a share, participation or other interest in his or her property or in an enterprise or to evidence his or her duty to perform an obligation ~~evidenced~~ represented by the certificated security; or

SECTION 31. 408.201 (1) (b) and (c) of the statutes are renumbered 408.201 (1) (c) and (d), and 408.201 (1) (c), as renumbered, is amended to read:

408.201 (1) (c) Directly or indirectly creates fractional interests in his or her rights or property which fractional interests are ~~evidenced~~ represented by certificated securities; or

SECTION 32. 408.201 (1) (b) of the statutes is created to read:

408.201 (1) (b) Creates shares, participations or other interests in his or her property or in an enterprise or undertakes obligations, which shares, participations, interests or obligations are uncertificated securities;

SECTION 33. 408.201 (2) and (3) of the statutes are amended to read:

408.201 (2) With respect to obligations on or defenses to a security, a guarantor is an issuer to the extent of his or her guaranty, whether or not his or her obligation is noted on the a certificated security or on statements of uncertificated securities sent under s. 408.408.

(3) With respect to registration of transfer, pledge or release (ss. 408.401 to 408.406), "issuer" means a person on whose behalf transfer books are maintained.

SECTION 34. 408.202 (1) of the statutes is amended to read:

408.202 (1) Even against a purchaser for value and without notice, the terms of a security include:

(a) If the security is certificated, those stated on the security and those;

(b) If the security is uncertificated, those contained in the initial transaction statement sent to the purchaser or, if his or her interest is transferred to him or her other than by registration of transfer, pledge or release, the initial transaction statement sent to the registered owner or registered pledgee; and

(c) Those made part of the security by reference, on the certificated security or in the initial transaction statement, to another instrument, indenture or document or to a constitution, statute, ordinance, rule, regulation, order or the like to the extent that the terms so referred to do not conflict with the stated terms. Such a stated on the certificated security or contained in the statement. A reference under this paragraph does not of itself charge a purchaser for value with notice of a defect going to the validity of the security even though the certificated security or statement expressly states that a person accepting it admits such notice.

SECTION 35. 408.202 (2) (a) and (b) of the statutes are consolidated, renumbered 408.202 (2) and amended to read:

408.202 (2) A certificated security in the hands of a purchaser for value or an uncertificated security as to which an initial transaction statement has been sent to a purchaser for value, other than ~~one~~ a security issued by a government or governmental agency or unit, even though issued with a defect going to its validity, is valid ~~in the hands of a~~ with respect to the purchaser for value and if he or she is without notice of the particular defect unless the defect involves a violation of constitutional provisions, in which case the security is valid ~~in the hands of~~ with respect to a subsequent purchaser for value and without notice of the defect. (b) ~~The rule of par. (a) This subsection applies to an issuer which that is a government or governmental agency or~~

unit only if either there has been substantial compliance with the legal requirements governing the issue or the issuer has received a substantial consideration for the issue as a whole or for the particular security and a stated purpose of the issue is one for which the issuer has power to borrow money or issue the security.

SECTION 36. 408.202 (3) to (5) of the statutes are amended to read:

408.202 (3) Except as otherwise provided in the case of certain unauthorized signatures ~~on issue~~ (s. 408.205), lack of genuineness of a certificated security or an initial transaction statement is a complete defense, even against a purchaser for value and without notice.

(4) All other defenses of the issuer of a certificated or uncertificated security, including nondelivery and conditional delivery of ~~the a certificated security~~, are ineffective against a purchaser for value who has taken without notice of the particular defense.

(5) Nothing in this section shall be construed to affect the right of a party to a "when, as and if issued" or a "when distributed" contract to cancel the contract in the event of a material change in the character of the security which that is the subject of the contract or in the plan or arrangement pursuant to which such the security is to be issued or distributed.

SECTION 37. 408.203 of the statutes is amended to read:

**408.203 Staleness as notice of defects or defenses.**

(1) After an act or event ~~which creates~~ creating a right to immediate performance of the principal obligation evidenced ~~represented by the a certificated security or which that~~ sets a date on or after which the security is to be presented or surrendered for redemption or exchange, a purchaser is charged with notice of any defect in its issue or defense of the issuer if:

(a) ~~If the The~~ The act or event is one requiring the payment of money ~~or, the delivery of certificated securities, the registration of transfer of uncertificated securities or both any of these~~ on presentation or surrender of the certificated security and such, the funds or securities are available on the date set for payment or exchange and he or she takes the security more than one year after that date; and

(b) ~~If the The~~ The act or event is not covered by par. (a) and he or she takes the security more than 2 years after the date set for surrender or presentation or the date on which ~~such~~ performance became due.

(2) A call ~~which that~~ has been revoked is not within sub. (1).

SECTION 38. 408.204 of the statutes is renumbered 408.204 (intro.) and amended to read:

**408.204 Effect of issuer's restrictions on transfer.** (intro.) ~~Unless noted conspicuously on the security a~~ A restriction on transfer of a security imposed by the issuer, even though otherwise lawful, is ineffective

~~except~~ against a any person with ~~without~~ actual knowledge of it: unless:

SECTION 39. 408.204 (1) and (2) of the statutes are created to read:

408.204 (1) The security is certificated and the restriction is noted conspicuously thereon; or

(2) The security is uncertificated and a notation of the restriction is contained in the initial transaction statement sent to the person or, if his or her interest is transferred to him or her other than by registration of transfer, pledge or release, the initial transaction statement sent to the registered owner or the registered pledgee.

SECTION 40. 408.205 of the statutes is amended to read:

**408.205 (title) Effect of unauthorized signature on certificated security or initial transaction statement.** An unauthorized signature placed on a certificated security prior to or in the course of issue or placed on an initial transaction statement is ineffective ~~except that,~~ but the signature is effective in favor of a purchaser for value ~~and of the certificated security or a purchaser for value of an uncertificated security to whom such initial transaction statement has been sent, if the purchaser is~~ without notice of the lack of authority ~~if and~~ the signing has been done by:

(1) An authenticating trustee, registrar, transfer agent or other person entrusted by the issuer with the signing of the security ~~or, of similar securities, or their~~ of initial transaction statements or the immediate preparation for signing or any of them; or

(2) An employe of the issuer or of any of the foregoing entrusted with responsible handling of the security or initial transaction statement.

SECTION 41. 408.206 (title), (1) (intro.) and (b) and (2) of the statutes are amended to read:

**408.206 (title) Completion or alteration of certificated security or initial transaction statement.** (1) (intro.) ~~Where~~ If a certificated security contains the signatures necessary to its issue or transfer but is incomplete in any other respect:

(b) Even though the blanks are incorrectly filled in, the security as completed is enforceable by a purchaser who took it for value and without notice of ~~such~~ the incorrectness.

(2) A complete certificated security ~~which that~~ has been improperly altered, even though fraudulently, remains enforceable but only according to its original terms.

SECTION 42. 408.206 (3) and (4) of the statutes are created to read:

408.206 (3) If an initial transaction statement contains the signatures necessary to its validity, but is incomplete in any other respect:

(a) Any person may complete it by filling in the blanks as authorized; and

(b) Even though the blanks are incorrectly filled in, the statement as completed is effective in favor of the

person to whom it is sent if he or she purchased the security referred to therein for value and without notice of the incorrectness.

(4) A complete initial transaction statement that has been improperly altered, even though fraudulently, is effective in favor of a purchaser to whom it has been sent, but only according to its original terms.

SECTION 43. 408.207 (title) and (1) of the statutes are amended to read:

**408.207 (title) Rights and duties of issuer with respect to registered owners and registered pledgees.** (1) Prior to due presentment for registration of transfer of a certificated security in registered form, the issuer or indenture trustee may treat the registered owner as the person exclusively entitled to vote, to receive notifications, and otherwise to exercise all the rights and powers of an owner.

SECTION 44. 408.207 (2) of the statutes is renumbered 408.207 (7).

SECTION 45. 408.207 (2) to (6) of the statutes are created to read:

408.207 (2) Subject to subs. (3), (4) and (6), the issuer or indenture trustee may treat the registered owner of an uncertificated security as the person exclusively entitled to vote, to receive notifications, and otherwise to exercise all the rights and powers of an owner.

(3) The registered owner of an uncertificated security that is subject to a registered pledge is not entitled to registration of transfer prior to the due presentment to the issuer of a release instruction. The exercise of conversion rights with respect to a convertible uncertificated security is a transfer within the meaning of this section.

(4) Upon due presentment of a transfer instruction from the registered pledgee of an uncertificated security, the issuer shall:

(a) Register the transfer of the security to the new owner free of pledge, if the instruction specifies a new owner (who may be the registered pledgee) and does not specify a pledgee;

(b) Register the transfer of the security to the new owner subject to the interest of the existing pledgee, if the instruction specifies a new owner and the existing pledgee; or

(c) Register the release of the security from the existing pledge and register the pledge of the security to the other pledgee, if the instruction specifies the existing owner and another pledgee.

(5) Continuity of perfection of a security interest is not broken by registration of transfer under sub. (4) (b) or by registration of release and pledge under sub. (4) (c), if the security interest is assigned.

(6) If an uncertificated security is subject to a registered pledge:

(a) Any uncertificated securities issued in exchange for or distributed with respect to the pledged security shall be registered subject to the pledge;

(b) Any certificated securities issued in exchange for or distributed with respect to the pledge security shall be delivered to the registered pledgee; and

(c) Any money paid in exchange for or in redemption of part or all of the security shall be paid to the registered pledgee.

SECTION 46. 408.208 (1) (intro.), (a) and (b) of the statutes are amended to read:

408.208 (1) (intro.) A person placing his or her signature upon a certificated security or an initial transaction statement as authenticating trustee, registrar, transfer agent, or the like, warrants to a purchaser for value of the certificated security or a purchaser for value of an uncertificated security to whom the initial transaction statement has been sent, if the purchaser is without notice of the particular defect, that:

(a) The certificated security or initial transaction statement is genuine; and

(b) His or her own participation in the issue or registration of the transfer, pledge or release of the security is within his or her capacity and within the scope of the authorization authority received by him or her from the issuer; and

SECTION 47. 408.301 (title) and (1) of the statutes are amended to read:

**408.301 (title) Rights acquired by purchaser.** (1) Upon delivery transfer of a security to a purchaser (s. 408.313) the purchaser acquires the rights in the security which his or her transferor had or had actual authority to convey ~~except that a purchaser who has himself been a party to any fraud or illegality affecting the security or who as a prior holder had notice of an adverse claim cannot improve his position by taking from a later bona fide purchaser. "Adverse claim" includes a claim that a transfer was or would be wrongful or that a particular adverse person is the owner of or has an interest in the security unless the purchaser's rights are limited by s. 408.302.~~

SECTION 48. 408.301 (2) of the statutes is repealed.

SECTION 49. 408.301 (3) of the statutes is renumbered 408.301 (2) and amended to read:

408.301 (2) A purchaser transferee of a limited interest acquires rights only to the extent of the interest purchased transferred. The creation or release of a security interest in a security is the transfer of a limited interest in that security.

SECTION 50. 408.302 (title) of the statutes is amended to read:

**408.302 (title) "Bona fide purchaser"; "adverse claim"; title acquired by bona fide purchaser.**

SECTION 51. 408.302 of the statutes is renumbered 408.302 (1) and amended to read:

408.302 (1) A "bona fide purchaser" is a purchaser for value in good faith and without notice of any adverse claim ~~who~~:

(a) Who takes delivery of a certificated security in bearer form or ~~of one~~ in registered form, issued ~~to him~~ or ~~indorsed~~ endorsed to him or her or in blank;

SECTION 52. 408.302 (1) (b) and (c) and (2) to (4) of the statutes are created to read:

408.302 (1) (b) To whom the transfer, pledge or release of an uncertificated security is registered on the books of the issuer; or

(c) To whom a security is transferred under s. 408.313 (1) (c), (d) 1 or (g).

(2) "Adverse claim" includes a claim that a transfer was or would be wrongful or that a particular adverse person is the owner of or has an interest in the security.

(3) A bona fide purchaser in addition to acquiring the rights of a purchaser (s. 408.301) also acquires his or her interest in the security free of any adverse claim.

(4) Notwithstanding s. 408.301 (1), the transferee of a particular certificated security who has been a party to any fraud or illegality affecting the security, or who as a prior holder of that certificated security had notice of an adverse claim, cannot improve his or her position by taking from a bona fide purchaser.

SECTION 53. 408.303 of the statutes is amended to read:

**408.303 "Broker".** "Broker" means a person engaged for all or part of his or her time in the business of buying and selling securities, who in the transaction concerned acts for, ~~or~~ buys a security from, or sells a security to, a customer. Nothing in this chapter determines the capacity in which a person acts for purposes of any other statute or rule to which such the person is subject.

SECTION 54. 408.304 (1) (intro.) and (a) of the statutes are amended to read:

408.304 (1) (intro.) A purchaser (including a broker for the seller or buyer but excluding an intermediary bank), of a certificated security is charged with notice of adverse claims if:

(a) The security, whether in bearer or registered form, has been ~~indorsed~~ endorsed "for collection" or "for surrender" or for some other purpose not involving transfer; or

SECTION 55. 408.304 (2) of the statutes is renumbered 408.304 (3) and amended to read:

408.304 (3) The fact that the purchaser (including a broker for the seller or buyer), of a certificated or uncertificated security has notice that the security is held for a ~~third~~ 3rd person or is registered in the name of or ~~indorsed~~ endorsed by a fiduciary does not create a duty of inquiry into the rightfulness of the transfer or constitute constructive notice of adverse claims. ~~If, however~~ However, if the purchaser (excluding an intermediary bank), has knowledge that the proceeds are being used or ~~that~~ the transaction is for the individual benefit of the fiduciary or otherwise in breach of duty, the purchaser is charged with notice of adverse claims.

SECTION 56. 408.304 (2) of the statutes is created to read:

408.304 (2) A purchaser, including a broker for the seller or buyer, but excluding an intermediary bank, to whom the transfer, pledge or release of an uncertificated security is registered is charged with notice of adverse claims as to which the issuer has a duty under s. 408.403 (4) at the time of registration and which are noted in the initial transaction statement sent to the purchaser or, if his or her interest is transferred to him or her other than by registration of transfer, pledge or release, the initial transaction statement sent to the registered owner or the registered pledgee.

SECTION 57. 408.305 (intro.) and (1) of the statutes are amended to read:

**408.305 Staleness as notice of adverse claims.** (intro.) An act or event ~~which that~~ creates a right to immediate performance of the principal obligation evidenced represented by the a certificated security or which sets a date on or after which the a certificated security is to be presented or surrendered for redemption or exchange does not of itself constitute any notice of adverse claims except in the case of a purchase transfer:

(1) After one year from any date for ~~such~~ presentment or surrender for redemption or exchange; or

SECTION 58. 408.306 (title), (1), (2) (intro.), (a) and (c), (3) and (4) of the statutes are amended to read:

**408.306 (title) Warranties on presentment and transfer of certificated securities; warranties of originators of instructions.** (1) A person who presents a certificated security for registration of transfer or for payment or exchange warrants to the issuer that he or she is entitled to the registration, payment or exchange. But, a purchaser for value and without notice of adverse claims who receives a new, reissued or reregistered certificated security on registration of transfer or receives an initial transaction statement confirming the registration of transfer of an equivalent uncertificated security to him or her warrants only that he or she has no knowledge of any unauthorized signature (s. 408.311) in a necessary indorsement endorsement.

(2) (intro.) A person by transferring a certificated security to a purchaser for value warrants only that:

(a) His or her transfer is effective and rightful; ~~and~~

(c) He or she knows of no fact which might impair the validity of the security.

(3) ~~Where~~ If a certificated security is delivered by an intermediary known to be entrusted with delivery of the security on behalf of another or with collection of a draft or other claim against such delivery, the intermediary by such delivery warrants only his or her own good faith and authority even though he or she has purchased or made advances against the claim to be collected against the delivery.

(4) A pledgee or other holder for security who redelivers the a certificated security received, or after pay-

ment and on order of the debtor delivers that security to a ~~third 3rd~~ person, makes only the warranties of an intermediary under sub. (3).

SECTION 59. 408.306 (5) of the statutes is renumbered 408.306 (10) and amended to read:

408.306 (10) A broker gives to his or her customer and to the issuer and a purchaser the applicable warranties provided in this section and has the rights and privileges of a purchaser under this section. The warranties of and in favor of the broker acting as an agent are in addition to applicable warranties given by and in favor of his or her customer.

SECTION 60. 408.306 (5) to (9) of the statutes are created to read:

408.306 (5) A person who originates an instruction warrants to the issuer that:

(a) He or she is an appropriate person to originate the instruction; and

(b) At the time the instruction is presented to the issuer he or she will be entitled to the registration of transfer, pledge or release.

(6) A person who originates an instruction warrants to any person specially guaranteeing his or her signature (s. 408.312 (3)) that:

(a) He or she is an appropriate person to originate the instruction; and

(b) At the time the instruction is presented to the issuer:

1. He or she will be entitled to the registration of transfer, pledge or release; and

2. The transfer, pledge or release requested in the instruction will be registered by the issuer free from all liens, security interests, restrictions and claims other than those specified in the instruction.

(7) A person who originates an instruction warrants to a purchaser for value and to any person guaranteeing the instruction (s. 408.312 (6)) that:

(a) He or she is an appropriate person to originate the instruction;

(b) The uncertificated security referred to therein is valid; and

(c) At the time the instruction is presented to the issuer:

1. The transferor will be entitled to the registration of transfer, pledge or release;

2. The transfer, pledge or release requested in the instruction will be registered by the issuer free from all liens, security interests, restrictions and claims other than those specified in the instruction; and

3. The requested transfer, pledge or release will be rightful.

(8) If a secured party is the registered pledgee or the registered owner of an uncertificated security, a person who originates an instruction of release or transfer to the debtor or, after payment and on order of the debtor, a transfer instruction to a 3rd person, warrants to the debtor or the 3rd person only that he or she is an appropriate person to originate the instruc-

tion and at the time the instruction is presented to the issuer, the transferor will be entitled to the registration of release or transfer. If a transfer instruction to a 3rd person who is a purchaser for value is originated on order of the debtor, the debtor makes to the purchaser the warranties of sub. (7) (b) and (c) 2 and 3.

(9) A person who transfers an uncertificated security to a purchaser for value and does not originate an instruction in connection with the transfer warrants only that:

- (a) His or her transfer is effective and rightful; and
- (b) The uncertificated security is valid.

SECTION 61. 408.307 of the statutes is amended to read:

**408.307 (title) Effect of delivery without endorsement; right to compel endorsement.** ~~Where~~ If a certificated security in registered form has been delivered to a purchaser without a necessary ~~indorsement~~ endorsement he or she may become a bona fide purchaser only as of the time the ~~indorsement~~ endorsement is supplied; but against the transferor, the transfer is complete upon delivery and the purchaser has a specifically enforceable right to have any necessary ~~indorsement~~ endorsement supplied.

SECTION 62. 408.308 (title), (1) and (2) of the statutes are amended to read:

**408.308 (title) Endorsements; instructions.** (1) An ~~indorsement~~ endorsement of a certificated security in registered form is made when an appropriate person signs on it or on a separate document an assignment or transfer of the security or a power to assign or transfer it or when the his or her signature of such person is written without more upon the back of the security.

(2) An ~~indorsement~~ endorsement may be in blank or special. An ~~indorsement~~ endorsement in blank includes an ~~indorsement~~ endorsement to bearer. A special ~~indorsement~~ endorsement specifies ~~the person~~ to whom the security is to be transferred, or who has power to transfer it. A holder may convert a blank ~~indorsement~~ endorsement into a special ~~indorsement~~ endorsement.

SECTION 63. 408.308 (3) (intro.) and (a) of the statutes are repealed.

SECTION 64. 408.308 (3) (b) to (g) and (4) of the statutes are renumbered 408.308 (8) (a) to (f) and (9) and amended to read:

408.308 (8) (a) If the person ~~so specified~~ designated is described as a fiduciary but is no longer serving in the described capacity, then either that person or his or her successor; ~~or.~~

(b) If the ~~security or indorsement specifies~~ persons designated are described as more than one person as fiduciaries and one or more are no longer serving in the described capacity, then the remaining fiduciary or fiduciaries, whether or not a successor has been appointed or qualified; ~~or.~~

(c) If the person ~~so specified~~ designated is an individual and is without capacity to act by virtue of death, incompetence, infancy or otherwise, then his or her executor, administrator, guardian or like fiduciary; ~~or.~~

(d) If the ~~security or indorsement specifies~~ persons designated are described as more than one person as tenants by the entirety or with right of survivorship and by reason of death all cannot sign, then the survivor or survivors; ~~or.~~

(e) A person having power to sign under applicable law or controlling instrument; ~~or.~~

(f) To the extent that the person designated or any of the foregoing persons may act through an agent, ~~his~~ — his or her authorized agent.

(9) Unless otherwise agreed, ~~the indorser~~ endorser of a certificated security or the originator of an instruction by his or her origination by his ~~indorsement~~ or her endorsement assumes no obligation that the security will be honored by the issuer but only the obligations provided by s. 408.306.

SECTION 65. 408.308 (4) of the statutes is created to read:

408.308 (4) An “instruction” is an order to the issuer of an uncertificated security requesting that the transfer, pledge or release from pledge of the uncertificated security specified therein be registered.

SECTION 66. 408.308 (5) of the statutes is renumbered 408.308 (3) and amended to read:

408.308 (3) An ~~indorsement~~ endorsement purporting to be only of part of a certificated security representing units intended by the issuer to be separately transferable is effective to the extent of the ~~indorsement~~ endorsement.

SECTION 67. 408.308 (5), (6), (7) and (8) (intro.) of the statutes are created to read:

408.308 (5) (a) An instruction originated by an appropriate person is:

1. A writing signed by an appropriate person; or
2. A communication to the issuer in any form agreed upon in a writing signed by the issuer and an appropriate person.

(b) If an instruction has been originated by an appropriate person but is incomplete in any other respect, any person may complete it as authorized and the issuer may rely on it as completed even though it has been completed incorrectly.

(6) “An appropriate person” in sub. (1) means the person specified by the certificated security or by special endorsement to be entitled to the security.

(7) “An appropriate person” in sub. (5) means:

(a) For an instruction to transfer or pledge an uncertificated security which is then not subject to a registered pledge, the registered owner; or

(b) For an instruction to transfer or release an uncertificated security which is then subject to a registered pledge, the registered pledgee.

(8) (intro.) In addition to the persons designated in subs. (6) and (7), "an appropriate person" in subs. (1) and (5) includes:

SECTION 68. 408.308 (6) and (7) of the statutes are renumbered 408.308 (10) and (11) and amended to read:

408.308 (10) Whether the person signing is appropriate is determined as of the date of signing and an ~~indorsement~~ endorsement made by or an instruction originated by such a person him or her does not become unauthorized for the purposes of this chapter by virtue of any subsequent change of circumstances.

(11) Failure of a fiduciary to comply with a controlling instrument or with the law of the state having jurisdiction of the fiduciary relationship, including any law requiring the fiduciary to obtain court approval of the transfer, pledge or release, does not render his ~~indorsement~~ or her endorsement or an instruction originated by him or her unauthorized for the purposes of this chapter.

SECTION 69. 408.309 of the statutes is amended to read:

**408.309 (title) Effect of endorsement without delivery.** An ~~indorsement~~ endorsement of a certificated security whether special or in blank does not constitute a transfer until delivery of the certificated security on which it appears or if the ~~indorsement~~ endorsement is on a separate document, until delivery of both the document and the certificated security.

SECTION 70. 408.310 of the statutes is amended to read:

**408.310 (title) Endorsement of certificated security in bearer form.** An ~~indorsement~~ endorsement of a certificated security in bearer form may give notice of adverse claims (s. 408.304) but does not otherwise affect any right to registration the holder ~~may possess~~ possesses.

SECTION 71. 408.311 of the statutes is amended to read:

**408.311 (title) Effect of unauthorized endorsement or instruction.** Unless the owner or pledgee has ratified an unauthorized ~~indorsement~~ endorsement or instruction or is otherwise precluded from asserting its ineffectiveness:

(1) He or she may assert its ineffectiveness against the issuer or any purchaser other than a purchaser for value and without notice of adverse claims, who has in good faith received a new, reissued or reregistered certificated security on registration of transfer or received an initial transaction statement confirming the registration of transfer, pledge or release of an equivalent uncertificated security to him or her; and

(2) An issuer who registers the transfer of a certificated security upon the unauthorized ~~indorsement~~ endorsement or who registers the transfer, pledge or release of an uncertificated security upon the unauthorized instruction is subject to liability for improper registration (s. 408.404).

SECTION 72. 408.312 (title) and (1) (a) (intro) and 1 of the statutes are amended to read:

**408.312 (title) Effect of guaranteeing signature, endorsement or instruction.** (1) (a) (intro.) Any person guaranteeing a signature of an ~~indorser~~ endorser of a certificated security warrants that at the time of signing:

1. The signature was genuine; ~~and~~

SECTION 73. 408.312 (1) (b) of the statutes is repealed.

SECTION 74. 408.312 (2) of the statutes is renumbered 408.312 (5) and amended to read:

408.312 (5) Any person ~~may guarantee~~ guaranteeing an ~~indorsement~~ endorsement of a certificated security ~~and by so doing warrants not only the signature as provided in~~ makes not only the warranties of a signature guarantor under sub. (1) but also the rightfulness of the particular transfer in all respects. But no issuer may require a guarantee of indorsement as a condition to registration of transfer.

SECTION 75. 408.312 (2) of the statutes is created to read:

408.312 (2) Any person guaranteeing a signature of the originator of an instruction warrants that at the time of signing:

(a) The signature was genuine;

(b) The signer was an appropriate person to originate the instruction (s. 408.308) if the person specified in the instruction as the registered owner or registered pledgee of the uncertificated security was, in fact, the registered owner or registered pledgee of the security, as to which fact the signature guarantor makes no warranty;

(c) The signer had legal capacity to sign; and

(d) The taxpayer identification number, if any, appearing on the instruction as that of the registered owner or registered pledgee was the taxpayer identification number of the signer or of the owner or pledgee for whom the signer was acting.

SECTION 76. 408.312 (3) of the statutes is renumbered 408.312 (8) and amended to read:

408.312 (8) The foregoing warranties are made to any person taking or dealing with the security in reliance on the guarantee and the guarantor is liable to ~~such~~ the person for any loss resulting from breach of the warranties.

SECTION 77. 408.312 (3), (4), (6) and (7) of the statutes are created to read:

408.312 (3) Any person specially guaranteeing the signature of the originator of an instruction makes not only the warranties of a signature guarantor (sub. (2)) but also warrants that at the time the instruction is presented to the issuer:

(a) The person specified in the instruction as the registered owner or registered pledgee of the uncertificated security will be the registered owner or registered pledgee; and

(b) The transfer, pledge or release of the uncertificated security requested in the instruction will be registered by the issuer free from all liens, security interests, restrictions and claims other than those specified in the instruction.

(4) The guarantor under subs. (1) and (2) or the special guarantor under sub. (3) does not otherwise warrant the rightfulness of the particular transfer, pledge or release.

(6) Any person guaranteeing an instruction requesting the transfer, pledge or release of an uncertificated security makes not only the warranties of a special signature guarantor under sub. (3) but also warrants the rightfulness of the particular transfer, pledge or release in all respects.

(7) No issuer may require a special guarantee of signature (sub. (3)), a guarantee of endorsement (sub. (5)), or a guarantee of instruction (sub. (6)) as a condition to registration of transfer, pledge or release.

SECTION 78. 408.313 (title) and (1) (intro.) and (a) of the statutes are amended to read:

**408.313 (title) When transfer to purchaser occurs; financial intermediary as bona fide purchaser; "financial intermediary".** (1) (intro.) Delivery Transfer of a security or a limited interest, including a security interest, therein to a purchaser occurs when:

(a) ~~He~~ At the time he or she or a person designated by him or her acquires possession of a certificated security; ~~or~~

SECTION 79. 408.313 (1) (b) to (d) of the statutes are renumbered 408.313 (1) (c) to (e) and amended to read:

408.313 (1) (c) ~~His broker~~ At the time his or her financial intermediary acquires possession of a certificated security specially ~~indorsed~~ endorsed to or issued in the name of the purchaser; or

(d) ~~His broker~~ At the time a financial intermediary, not a clearing house, sends him or her confirmation of the purchase and also by book entry or otherwise identifies a specific security in the broker's possession as belonging to the purchaser; or

1. A specific certificated security in the financial intermediary's possession;

2. A quantity of securities that constitute or are part of fungible bulk of certificated securities in the financial intermediary's possession or of uncertificated securities registered in the name of the financial intermediary; or

3. A quantity of securities that constitute or are part of a fungible bulk of securities shown on the account of the financial intermediary on the books of another financial intermediary;

(e) With respect to an identified certificated security to be delivered while still in the possession of a third 3rd person when not a financial intermediary at the time that person acknowledges that he or she holds for the purchaser; or

SECTION 80. 408.313 (1) (b) of the statutes is created to read:

408.313 (1) (b) At the time the transfer, pledge or release of an uncertificated security is registered to him or her or a person designated by him or her;

SECTION 81. 408.313 (1) (e) of the statutes is renumbered 408.313 (1) (g) and amended to read:

408.313 (1) (g) ~~Appropriate~~ At the time appropriate entries to the account of the purchaser or a person designated by him or her on the books of a clearing corporation are made under s. 408.320;

SECTION 82. 408.313 (1) (f) and (h) to (j) of the statutes are created to read:

408.313 (1) (f) With respect to a specific uncertificated security the pledge or transfer of which has been registered to a 3rd person, not a financial intermediary, at the time that person acknowledges that he or she holds for the purchaser;

(h) With respect to the transfer of a security interest where the debtor has signed a security agreement containing a description of the security, at the time a written notification, which, in the case of the creation of the security interest, is signed by the debtor (which may be a copy of the security agreement) or which, in the case of the release or assignment of the security interest created under this paragraph, is signed by the secured party, is received by:

1. A financial intermediary on whose books the interest of the transferor in the security appears;

2. A 3rd person, not a financial intermediary, in possession of the security, if it is certificated;

3. A 3rd person, not a financial intermediary, who is the registered owner of the security, if it is uncertificated and not subject to a registered pledge; or

4. A 3rd person, not a financial intermediary, who is the registered pledgee of the security, if it is uncertificated and subject to a registered pledge;

(i) With respect to the transfer of a security interest where the transferor has signed a security agreement containing a description of the security, at the time new value is given by the secured party; or

(j) With respect to the transfer of a security interest where the secured party is a financial intermediary and the security has already been transferred to the financial intermediary under par. (a), (b), (c), (d) or (g), at the time the transferor has signed a security agreement containing a description of the security and value is given by the secured party.

SECTION 83. 408.313 (2) and (3) of the statutes are amended to read:

408.313 (2) The purchaser is the owner of a security held ~~for him~~ by ~~his broker~~ a financial intermediary, but is not the holder cannot be a bona fide purchaser of a security so held except as in the circumstances specified in sub. (1) (b), (c) and (e). Where, (d) 1 and (g). If a security so held is part of a fungible bulk, as in the circumstances specified in sub. (1) (d) 2 and 3, the

purchaser is the owner of a proportionate property interest in the fungible bulk.

(3) Notice of an adverse claim received by the ~~broker~~ financial intermediary or by the purchaser after the ~~broker~~ financial intermediary takes delivery of a certificated security as a holder for value or after the transfer, pledge or release of an uncertificated security has been registered free of the claim to a financial intermediary who has given value is not effective either as to the ~~broker~~ financial intermediary or as to the purchaser. However, as between the ~~broker~~ financial intermediary and the purchaser the purchaser may demand ~~delivery~~ transfer of an equivalent security as to which no notice of an adverse claim has been received.

SECTION 84. 408.313 (4) of the statutes is created to read:

408.313 (4) A "financial intermediary" is a bank, broker, clearing corporation or other person, or the nominee of any of them, which in the ordinary course of its business maintains security accounts for its customers and is acting in that capacity. A financial intermediary may have a security interest in securities held in account for its customer.

SECTION 85. 408.314 of the statutes is amended to read:

**408.314 (title) Duty to transfer, when completed.** (1) Unless otherwise agreed ~~where~~ if a sale of security is made on an exchange or otherwise through brokers:

(a) The selling customer fulfills his or her duty to ~~deliver when~~ transfer at the time he places such or she:

1. Places a certificated security in the possession of the selling broker or of a person designated by the broker ~~or if requested causes an acknowledgment to be made to the selling broker that it is held for him;~~ and

(b) The selling broker, including a correspondent broker acting for a selling customer, fulfills his or her duty to ~~deliver by placing the~~ transfer at the time he or she:

1. Places a certificated security or a like security in the possession of the buying broker or a person designated by him ~~or by effecting clearance~~ the buying broker;

2. Causes an uncertificated security to be registered in the name of the buying broker or a person designated by the buying broker;

3. Places in the possession of the buying broker or of a person designated by the buying broker a transfer instruction for an uncertificated security, providing the issuer does not refuse to register the requested transfer if the instruction is presented to the issuer for registration within 30 days thereafter; or

4. Effects clearance of the sale in accordance with the rules of the exchange on which the transaction took place.

(2) Except as ~~otherwise~~ provided in this section and unless otherwise agreed, a transferor's duty to ~~deliver~~

transfer a security under a contract of purchase is not fulfilled until he places the or she:

(a) Places a certificated security in form to be negotiated by the purchaser in the possession of the purchaser or of a person designated by him ~~or at the purchaser's request causes an acknowledgment to be made to the purchaser that it is held for him.~~ the purchaser;

(b) Causes an uncertificated security to be registered in the name of the purchaser or a person designated by the purchaser; or

(c) If the purchaser requests, causes an acknowledgment to be made to the purchaser that a certificated or uncertificated security is held for the purchaser.

(3) Unless made on an exchange a sale to a broker purchasing for his or her own account is within ~~this subsection~~ sub. (2) and not within sub. (1).

SECTION 86. 408.314 (1) (a) 2 to 4 of the statutes are created to read:

408.314 (1) (a) 2. Causes an uncertificated security to be registered in the name of the selling broker or a person designated by the broker;

3. If requested, causes an acknowledgment to be made to the selling broker that a certificated or uncertificated security is held for the broker; or

4. Places in the possession of the selling broker or of a person designated by the broker a transfer instruction for an uncertificated security, providing the issuer does not refuse to register the requested transfer if the instruction is presented to the issuer for registration within 30 days thereafter; and

SECTION 87. 408.315 of the statutes is amended to read:

**408.315 (title) Action against transferee based upon wrongful transfer.** (1) Any person against whom the transfer of a security is wrongful for any reason, including his or her incapacity, ~~may as~~ against anyone except a bona fide purchaser ~~reclaim,~~ may:

(a) Reclaim possession of the certificated security or obtain wrongfully transferred;

(b) Obtain possession of any new certificated security evidencing constituting all or part of the same rights;

(c) Compel the origination of an instruction to transfer to him or her or a person designated by him or her an uncertificated security constituting all or part of the same rights; or have

(d) Have damages.

(2) If the transfer is wrongful because of an unauthorized ~~indorsement~~ endorsement of a certificated security, the owner may also reclaim or obtain possession of the security or a new certificated security even from a bona fide purchaser if the ineffectiveness of the purported ~~indorsement~~ endorsement can be asserted against him or her under s. 408.311.

(3) The right to obtain or reclaim possession of a certificated security or to compel the origination of a transfer instruction may be specifically enforced and ~~its~~ the transfer of a certificated or uncertificated security enjoined and ~~the a certificated~~ security impounded pending the litigation.

SECTION 88. 408.316 of the statutes is amended to read:

**408.316** (title) **Purchaser's right to requisites for registration of transfer, pledge or release on books.** Unless otherwise agreed, the transferor ~~must~~ of a certificated security or the transferor, pledgor or pledgee of an uncertificated security on due demand must supply his or her purchaser with any proof of his or her authority to transfer pledge or release or with any other requisite ~~which may be~~ necessary to obtain registration of the transfer, pledge or release of the security; but if the transfer, pledge or release is not for value a transferor need not do so unless the purchaser furnishes the necessary expenses. Failure within a reasonable time to comply with a demand made ~~within a reasonable time~~ gives the purchaser the right to reject or rescind the transfer, pledge or release.

SECTION 89. 408.317 (title) and (1) of the statutes are amended to read:

**408.317** (title) **Creditors' rights.** (1) ~~No~~ Subject to subs. (3) and (4), no attachment or levy upon a certificated security or any share or other interest evidenced represented thereby which is outstanding shall be is valid until the security is actually seized by the officer making the attachment or levy but a certificated security which has been surrendered to the issuer may be attached or levied upon at the source reached by a creditor by legal process at the issuer's chief executive office in the United States.

SECTION 90. 408.317 (2) of the statutes is renumbered 408.317 (6) and amended to read:

408.317 (6) A creditor whose debtor is the owner of a security ~~shall be~~ is entitled to ~~such~~ aid from courts of appropriate jurisdiction, by injunction or otherwise, in reaching ~~such~~ the security or in satisfying the claim by means ~~thereof as is~~ allowed at law or in equity in regard to property ~~which that~~ cannot readily be ~~attached or levied upon~~ reached by ordinary legal process.

SECTION 91. 408.317 (2) to (5) of the statutes are created to read:

408.317 (2) An uncertificated security registered in the name of the debtor may not be reached by a creditor except by legal process at the issuer's chief executive office in the United States.

(3) The interest of a debtor in a certificated security that is in the possession of a secured party not a financial intermediary or in an uncertificated security registered in the name of a secured party not a financial intermediary, or in the name of a nominee of the secured party, may be reached by a creditor by legal process upon the secured party.

(4) The interest of a debtor in a certificated security that is in the possession of or registered in the name of a financial intermediary or in an uncertificated security registered in the name of a financial intermediary may be reached by a creditor by legal process upon the financial intermediary on whose books the interest of the debtor appears.

(5) Unless otherwise provided by law, a creditor's lien upon the interest of a debtor in a security obtained under sub. (3) or (4) is not a restraint on the transfer of the security, free of the lien, to a 3rd party for new value; but in the event of a transfer, the lien applies to the proceeds of the transfer in the hands of the secured party or financial intermediary, subject to any claims having priority.

SECTION 92. 408.318 of the statutes is amended to read:

**408.318** (title) **No conversion by good faith conduct.** An agent or bailee who in good faith ~~(including observance of reasonable commercial standards if he or she is in the business of buying, selling or otherwise dealing with securities),~~ has received certificated securities and sold, pledged or delivered them or has sold or caused the transfer or pledge of uncertificated securities over which he or she had control according to the instructions of his or her principal is not liable for conversion or for participation in breach of fiduciary duty although the principal ~~had~~ has no right so to dispose of them deal with the securities.

SECTION 93. 408.319 (1) and (2) of the statutes are amended to read:

408.319 (1) There is some writing signed by the party against whom enforcement is sought or by his or her authorized agent or broker sufficient to indicate that a contract has been made for sale of a stated quantity of described securities at a defined or stated price; ~~or~~

(2) Delivery of ~~the a~~ a certificated security or transfer instruction has been accepted or transfer of an uncertificated security has been registered and the transferee has failed to send written objection to the issuer within 10 days after receipt of the initial transaction statement confirming the registration, or payment has been made but the contract is enforceable under this provision only to the extent of such the delivery, registration or payment; ~~or~~

SECTION 94. 408.320 (title) of the statutes is amended to read:

**408.320** (title) **Transfer or pledge within central depository system.**

SECTION 95. 408.320 (1) (intro.), (a) and (b) of the statutes are renumbered 408.320 (1) (a) (intro.), 1 and 2 and amended to read:

408.320 (1) (a) (intro.) If a security certificated:

1. Is in the custody of a the clearing corporation or another clearing corporation, a custodian bank or a nominee of either subject to the instructions of the clearing corporation any of them; and

2. Is in bearer form or ~~indorsed~~ endorsed in blank by an appropriate person or registered in the name of the clearing corporation ~~or~~ a custodian bank or a nominee of ~~either~~ and any of them; or

SECTION 96. 408.320 (1) (intro.) and (b) of the statutes are created to read:

408.320 (1) (intro.) In addition to other methods, a transfer, pledge or release of a security or any interest therein may be effected by the making of appropriate entries on the books of a clearing corporation reducing the account of the transferor, pledgor or pledgee and increasing the account of the transferee, pledgee or pledgor by the amount of the obligation, or the number of shares or rights transferred, pledged or released, if the security is shown on the account of a transferor, pledgor or pledgee on the books of the clearing corporation; is subject to the control of the clearing corporation; and:

(b) If uncertificated, is registered in the name of the clearing corporation, another clearing corporation, a custodian bank or a nominee of any of them.

SECTION 97. 408.320 (1) (c) of the statutes is repealed.

SECTION 98. 408.320 (2) to (5) of the statutes are amended to read:

408.320 (2) Under this section entries may be made 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 or releases 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 indorsed in blank (s. 408.301) representing the amount of the obligation or the number of shares or rights transferred or pledged is effective (s. 408.313) and the purchaser acquires the rights of the transferor (s. 408.301). A pledge or release under this section is the transfer of a limited interest.~~ 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 (ss. 409.304 and 409.305) security interest is perfected at the time when both value is given by the pledgee and the appropriate entries are made (s. 408.321).~~ A transferee or pledgee under this section ~~is a holder~~ may be a bona fide purchaser (s. 408.302).

(4) A transfer or pledge under this section ~~does is~~ is not constitute a registration of transfer under ss. 408.401 to 408.406.

(5) That entries made on the books of the clearing corporation as provided in sub. (1) are not appropriate does not affect the validity or effect of the entries ~~or~~ or the liabilities or obligations of the clearing corporation to any person adversely affected thereby.

SECTION 99. 408.321 of the statutes is created to read:

**408.321 Enforceability, attachment, perfection and termination of security interests.** (1) A security interest in a security is enforceable and can attach only if it is transferred to the secured party or a person designated by him or her under s. 408.313 (1).

(2) A security interest so transferred pursuant to agreement by a transferor who has rights in the security to a transferee who has given value is a perfected security interest, but a security interest that has been transferred solely under s. 408.313 (1) (i) becomes unperfected after 21 days unless, within that time, the requirements for transfer under any other provision of s. 408.313 (1) are satisfied.

(3) (a) A security interest in a security is subject to ch. 409, but:

1. No filing is required to perfect the security interest; and

2. No written security agreement signed by the debtor is necessary to make the security interest enforceable, except as otherwise provided in s. 408.313 (1) (h), (i) or (j).

(b) The secured party has the rights and duties provided under s. 409.207, to the extent they are applicable, whether or not the security is certificated, and, if certificated, whether or not it is in his or her possession.

(4) Unless otherwise agreed, a security interest in a security is terminated by transfer to the debtor or a person designated by him or her under s. 408.313 (1). If a security is thus transferred, the security interest, if not terminated, becomes unperfected unless the security is certificated and is delivered to the debtor for the purpose of ultimate sale or exchange or presentation, collection, renewal or registration of transfer. In that case, the security interest becomes unperfected after 21 days unless, within that time, the security, or securities for which it has been exchanged, is transferred to the secured party or a person designated by him or her under s. 408.313 (1).

SECTION 100. 408.401 (title), (1) (intro.), (a) to (c) and (e) and (2) of the statutes are amended to read:

**408.401 (title) Duty of issuer to register transfer, pledge or release.** (1) (intro.) ~~Where~~ If a certificated security in registered form is presented to the issuer with a request to register transfer ~~or an instruction is presented to the issuer with a request to register transfer, pledge or release, the issuer is under a duty to shall~~ register the transfer, pledge or release as requested if:

(a) The security is ~~indorsed~~ endorsed or the instruction was originated by the appropriate person or persons (s. 408.308); ~~and~~

(b) Reasonable assurance is given that those ~~indorsements~~ endorsements or instructions are genuine and effective (s. 408.402); ~~and~~

(c) The issuer has no duty ~~to inquire into~~ as to adverse claims or has discharged ~~any such~~ the duty (s. 408.403); ~~and~~

(e) The transfer, pledge or release is in fact rightful or is to a bona fide purchaser.

(2) ~~Where If~~ an issuer is under a duty to register a transfer, pledge or release of a security, the issuer is also liable to the person presenting it a certificated security or an instruction for registration or his or her principal for loss resulting from any unreasonable delay in registration or from failure or refusal to register the transfer, pledge or release.

SECTION 101. 408.402 (title), (1), (2), (3) (a) and (b) and (4) of the statutes are amended to read:

**408.402 (title) Assurance that endorsements and instructions are effective.** (1) The issuer may require the following assurance that each necessary ~~indorsement~~ endorsement (s. 408.308) is genuine and effective:

(a) In all cases, a guarantee of the signature (s. 408.312 (1) or (2) ) of the person ~~indorsing; and endorsing a certificated security or originating an instruction including, in the case of an instruction, a warranty of the taxpayer identification number or, in the absence thereof, other reasonable assurance of identity;~~

(b) ~~Where If~~ the ~~indorsement~~ endorsement is made or the instruction is originated by an agent, appropriate assurance of authority to sign;

(c) ~~Where If~~ the ~~indorsement~~ endorsement is made or the instruction is originated by a fiduciary, appropriate evidence of appointment or incumbency;

(d) ~~Where If~~ there is more than one fiduciary, reasonable assurance that all who are required to sign have done so; ~~and~~

(e) ~~Where If~~ the ~~indorsement~~ endorsement is made or the instruction is originated by a person not covered by any of the foregoing, assurance appropriate to the case corresponding as nearly as may be to the foregoing.

(2) A "guarantee of the signature" in sub. (1) means a guarantee signed by or on behalf of a person reasonably believed by the issuer to be responsible. The issuer may adopt standards with respect to responsibility ~~provided such standards if they~~ are not manifestly unreasonable.

(3) (a) In the case of a fiduciary appointed or qualified by a court, a certificate issued by or under the direction or supervision of that court or an officer thereof and dated within 60 days before the date of presentation for transfer, pledge or release; or

(b) In any other case, a copy of a document showing the appointment or a certificate issued by or on behalf of a person reasonably believed by the issuer to be responsible or, in the absence of ~~such a~~ that document or certificate, other evidence reasonably deemed by the issuer to be appropriate. The issuer may adopt standards with respect to ~~such~~ the evidence ~~provided~~

~~such standards if they~~ are not manifestly unreasonable. The issuer is not charged with notice of the contents of any document obtained ~~pursuant to~~ under this paragraph except to the extent that the contents relate directly to the appointment or incumbency.

(4) The issuer may elect to require reasonable assurance beyond that specified in this section, but if it does so and for a purpose other than that specified in sub. (3) (b), both requires and obtains a copy of a will, trust, indenture, articles of copartnership, bylaws, or other controlling instrument, it is charged with notice of all matters contained therein affecting the transfer, pledge or release.

SECTION 102. 408.403 (title), (1), (2) (b) and (3) (intro.) and (a) of the statutes are amended to read:

**408.403 (title) Issuer's duty as to adverse claims.** (1) An issuer to whom a certificated security is presented for registration ~~is under a duty to~~ shall inquire into adverse claims if:

(a) A written notification of an adverse claim is received at a time and in a manner ~~which affords~~ affording the issuer a reasonable opportunity to act on it prior to the issuance of a new, reissued or reregistered certificated security, and the notification identifies the claimant, the registered owner and the issue of which the security is a part, and provides an address for communications directed to the claimant; or

(b) The issuer is charged with notice of an adverse claim from a controlling instrument ~~which~~ it has elected to require under s. 408.402 (4).

(2) (b) ~~An~~ There is filed with the issuer an indemnity bond sufficient in the issuer's judgment to protect the issuer and any transfer agent, registrar or other agent of the issuer involved, from any loss ~~which~~ it or they may suffer by complying with the adverse claim ~~is filed with the issuer.~~

(3) (intro.) Unless an issuer is charged with notice of an adverse claim from a controlling instrument which it has elected to require under s. 408.402 (4) or receives notification of an adverse claim under sub. (1), ~~where if~~ a certificated security presented for registration is ~~indorsed~~ endorsed by the appropriate person or persons the issuer is under no duty to inquire into adverse claims. In particular:

(a) An issuer registering a certificated security in the name of a person who is a fiduciary or who is described as a fiduciary is not bound to inquire into the existence, extent, or correct description of the fiduciary relationship and thereafter the issuer may assume without inquiry that the newly registered owner continues to be the fiduciary until the issuer receives written notice that the fiduciary is no longer acting as such with respect to the particular security;

SECTION 103. 408.403 (4) to (7) of the statutes are created to read:

408.403 (4) An issuer is under no duty as to adverse claims with respect to an uncertificated security except:

(a) Claims embodied in a restraining order, injunction or other legal process served upon the issuer if the process was served at a time and in a manner affording the issuer a reasonable opportunity to act on it in accordance with the requirements of sub. (5).

(b) Claims of which the issuer has received a written notification from the registered owner or the registered pledgee if the notification was received at a time and in a manner affording the issuer a reasonable opportunity to act on it in accordance with the requirements of sub. (5).

(c) Claims, including restrictions on transfer not imposed by the issuer, to which the registration of transfer to the present registered owner was subject and were so noted in the initial transaction statement sent to him or her.

(d) Claims as to which an issuer is charged with notice from a controlling instrument it has elected to require under s. 408.402 (4).

(5) If the issuer of an uncertificated security is under a duty as to an adverse claim, he or she discharges that duty by:

(a) Including a notation of the claim in any statements sent with respect to the security under s. 408.408 (3), (6) and (7); and

(b) Refusing to register the transfer or pledge of the security unless the nature of the claim does not preclude transfer or pledge subject thereto.

(6) If the transfer or pledge of the security is registered subject to an adverse claim, a notation of the claim must be included in the initial transaction statement and all subsequent statements sent to the transferee and pledgee under s. 408.408.

(7) Notwithstanding subs. (4) and (5), if an uncertificated security was subject to a registered pledge at the time the issuer first came under a duty as to a particular adverse claim, the issuer has no duty as to that claim if transfer of the security is requested by the registered pledgee or an appropriate person acting for the registered pledgee unless:

(a) The claim was embodied in legal process which expressly provides otherwise.

(b) The claim was asserted in a written notification from the registered pledgee.

(c) The claim was one as to which the issuer was charged with notice from a controlling instrument it required under s. 408.402 (4) in connection with the pledgee's request for transfer.

(d) The transfer requested is to the registered owner.

SECTION 104. 408.404 (1) and (2) (intro.), (a) and (c) of the statutes are amended to read:

408.404 (1) Except as otherwise provided in any law relating to the collection of taxes, the issuer is not liable to the owner, pledgee or any other person suffering loss as a result of the registration of a transfer, pledge or release of a security if:

(a) There ~~were~~ was on or with ~~the~~ a certificated security the necessary ~~indorsements~~ endorsement or the issuer had received an instruction originated by an appropriate person (s. 408.308); and

(b) The issuer had no duty ~~to inquire into~~ as to adverse claims or has discharged ~~any such~~ the duty (s. 408.403).

(2) (intro.) ~~Where~~ If an issuer has registered a transfer of a certificated security to a person not entitled to it, the issuer on demand ~~must~~ shall deliver a like security to the true owner unless:

(a) The registration was ~~pursuant to~~ under sub. (1); ~~or~~

(c) ~~Such~~ The delivery would result in overissue, in which case the issuer's liability is governed by s. 408.104.

SECTION 105. 408.404 (3) of the statutes is created to read:

408.404 (3) If an issuer has improperly registered a transfer, pledge or release of an uncertificated security, the issuer on demand from the injured party shall restore the records as to the injured party to the condition that would have obtained if the improper registration had not been made unless:

(a) The registration was under sub. (1); or

(b) The registration would result in overissue, in which case the issuer's liability is governed by s. 408.104.

SECTION 106. 408.405 (title), (1), (2) (intro.) and (a) and (3) of the statutes are amended to read:

**408.405 (title) Lost, destroyed and stolen certificated securities.** (1) ~~Where~~ If a certificated security has been lost, apparently destroyed or wrongfully taken, and the owner fails to notify the issuer of that fact within a reasonable time after he or she has notice of it and the issuer registers a transfer of the security before receiving ~~such a~~ notification, the owner is precluded from asserting against the issuer any claim for registering the transfer under s. 408.404 or any claim to a new security under this section.

(2) (intro.) ~~Where~~ If the owner of a certificated security claims that the security has been lost, destroyed or wrongfully taken, the issuer ~~must~~ shall issue a new certificated security or, at the option of the issuer, an equivalent uncertificated security in place of the original security if the owner:

(a) So requests before the issuer has notice that the security has been acquired by a bona fide purchaser; ~~and~~

(3) If, after the issue of ~~the~~ a new certificated or uncertificated security, a bona fide purchaser of the original certificated security presents it for registration of transfer, the issuer ~~must~~ shall register the transfer unless registration would result in overissue, in which event the issuer's liability is governed by s. 408.104. In addition to any rights on the indemnity bond, the issuer may recover the new certificated security from the person to whom it was issued or any person taking

under him or her except a bona fide purchaser or may cancel the uncertificated security unless a bona fide purchaser or any person taking under a bona fide purchaser is then the registered owner or registered pledgee thereof.

SECTION 107. 408.406 (1) (intro.) and (b) and (2) of the statutes are amended to read:

408.406 (1) (intro.) ~~Where~~ If a person acts as authenticating trustee, transfer agent, registrar, or other agent for an issuer in the registration of transfers of its certificated securities or in the registration of transfers, pledges and releases of its uncertificated securities, in the issue of new securities or in the cancellation of surrendered securities:

(b) ~~He has with~~ With regard to the particular functions he or she performs, ~~he or she has~~ the same obligation to the holder or owner of ~~the a certificated security or to the owner or pledgee of an uncertificated security~~ and has the same rights and privileges as the issuer has in regard to those functions.

(2) Notice to an authenticating trustee, transfer agent, registrar or other ~~such~~ agent is notice to the issuer with respect to the functions performed by the agent.

SECTION 108. 408.407 of the statutes is created to read:

**408.407 Exchangeability of securities.** (1) No issuer is subject to the requirements of this section unless it regularly maintains a system for issuing the class of securities involved under which both certificated and uncertificated securities are regularly issued to the category of owners, which includes the person in whose name the new security is to be registered.

(2) Upon surrender of a certificated security with all necessary endorsements and presentation of a written request by the person surrendering the security, the issuer, if he or she has no duty as to adverse claims or has discharged the duty (s. 408.403), shall issue to the person or a person designated by him or her an equivalent uncertificated security subject to all liens, restrictions and claims that were noted on the certificated security.

(3) Upon receipt of a transfer instruction originated by an appropriate person who so requests, the issuer of an uncertificated security shall cancel the uncertificated security and issue an equivalent certificated security on which must be noted conspicuously any liens and restrictions of the issuer and any adverse claims, as to which the issuer has a duty under s. 408.403 (4), to which the uncertificated security was subject. The certificated security shall be registered in the name of and delivered to:

(a) The registered owner if the uncertificated security was not subject to a registered pledge; or

(b) The registered pledgee if the uncertificated security was subject to a registered pledge.

SECTION 109. 408.408 of the statutes is created to read:

**408.408 Statements of uncertificated securities.** (1) Within 2 business days after the transfer of an uncertificated security has been registered, the issuer shall send to the new registered owner and, if the security has been transferred subject to a registered pledge, to the registered pledgee a written statement containing all of the following:

(a) A description of the issue of which the uncertificated security is a part.

(b) The number of shares or units transferred.

(c) The name and address and any taxpayer identification number of the newly registered owner and, if the security has been transferred subject to a registered pledge, the name and address and any taxpayer identification number of the registered pledgee.

(d) A notation of any liens and restrictions of the issuer and any adverse claims, as to which the issuer has a duty under s. 408.403 (4), to which the uncertificated security is or may be subject at the time of registration or a statement that there are none of those liens, restrictions or adverse claims.

(e) The date the transfer was registered.

(2) Within 2 business days after the pledge of an uncertificated security has been registered, the issuer shall send to the registered owner and the registered pledgee a written statement containing all of the following:

(a) A description of the issue of which the uncertificated security is a part.

(b) The number of shares or units pledged.

(c) The name and address and any taxpayer identification number of the registered owner and the registered pledgee.

(d) A notation of any liens and restrictions of the issuer and any adverse claims, as to which the issuer has a duty under s. 408.403 (4), to which the uncertificated security is or may be subject at the time of registration or a statement that there are none of those liens, restrictions or adverse claims.

(e) The date the pledge was registered.

(3) Within 2 business days after the release from pledge of an uncertificated security has been registered, the issuer shall send to the registered owner and the pledgee whose interest was released a written statement containing all of the following:

(a) A description of the issue of which the uncertificated security is a part.

(b) The number of shares or units released from pledge.

(c) The name and address and any taxpayer identification number of the registered owner and the pledgee whose interest was released.

(d) A notation of any liens and restrictions of the issuer and any adverse claims, as to which the issuer has a duty under s. 408.403 (4), to which the uncertificated security is or may be subject at the time of registration or a statement that there are none of those liens, restrictions or adverse claims.

(e) The date the release was registered.

(4) (a) An "initial transaction statement" is the statement sent to:

1. The new registered owner and, if applicable, to the registered pledgee under sub. (1);
2. The registered pledgee under sub. (2); or
3. The registered owner under sub. (3).

(b) Each initial transaction statement shall be signed by or on behalf of the issuer and must be identified as "Initial Transaction Statement".

(5) Within 2 business days after the transfer of an uncertificated security has been registered, the issuer shall send to the former registered owner and the former registered pledgee, if any, a written statement containing all of the following:

- (a) A description of the issue of which the uncertificated security is a part.
- (b) The number of shares or units transferred.
- (c) The name and address and any taxpayer identification number of the former registered owner and of any former registered pledgee.
- (d) The date the transfer was registered.

(6) At periodic intervals no less frequent than annually and at any time upon the reasonable written request of the registered owner, the issuer shall send to the registered owner of each uncertificated security a dated written statement containing all of the following:

- (a) A description of the issue of which the uncertificated security is a part.
- (b) The name and address and any taxpayer identification number of the registered owner.
- (c) The number of shares or units of the uncertificated security registered in the name of the registered owner on the date of the statement.

(d) The name and address and any taxpayer identification number of any registered pledgee and the number of shares or units subject to the pledge.

(e) A notation of any liens and restrictions of the issuer and any adverse claims, as to which the issuer has a duty under s. 408.403 (4), to which the uncertificated security is or may be subject or a statement that there are none of those liens, restrictions or adverse claims.

(7) At periodic intervals no less frequent than annually and at any time upon the reasonable written request of the registered pledgee, the issuer shall send to the registered pledgee of each uncertificated security a dated written statement containing all of the following:

- (a) A description of the issue of which the uncertificated security is a part.
- (b) The name and address and any taxpayer identification number of the registered owner.
- (c) The name and address and any taxpayer identification number of the registered pledgee.
- (d) The number of shares or units subject to the pledge.

(e) A notation of any liens and restrictions of the issuer and any adverse claims, as to which the issuer has a duty under s. 408.403 (4), to which the uncertificated security is or may be subject or a statement that there are none of those liens, restrictions or adverse claims.

(8) If the issuer sends the statements described in subs. (6) and (7) at periodic intervals no less frequent than quarterly, the issuer is not obliged to send additional statements upon request unless the owner or pledgee requesting them pays to the issuer the reasonable cost of furnishing them.

(9) Each statement sent under this section must bear a conspicuous legend reading substantially as follows: "This statement is merely a record of the rights of the addressee as of the time of its issuance. Delivery of this statement, of itself, confers no rights on the recipient. This statement is neither a negotiable instrument nor a security."

SECTION 110. 409.103 (3) (a) of the statutes is amended to read:

409.103 (3) (a) This subsection applies to accounts (other than an account described in sub. (5) on minerals), and general intangibles, other than uncertificated securities, and to goods which are mobile and which are of a type normally used in more than one jurisdiction, such as motor vehicles, trailers, rolling stock, airplanes, shipping containers, road building and construction machinery and commercial harvesting machinery and the like, if the goods are equipment or are inventory leased or held for lease by the debtor to others, and are not covered by a certificate of title described in sub. (2).

SECTION 111. 409.103 (6) of the statutes is created to read:

409.103 (6) **UNCERTIFICATED SECURITIES.** The law, including the conflict of laws rules, of the jurisdiction of organization of the issuer governs the perfection and the effect of perfection or nonperfection of a security interest in uncertificated securities.

SECTION 112. 409.105 (1) (i) of the statutes is amended to read:

409.105 (1) (i) "Instrument" means a negotiable instrument as defined in s. 403.104 or a certificated security as defined in s. 408.102 or any other writing which evidences a right to the payment of money and is not itself a security agreement or lease and is of a type which is in ordinary course of business transferred by delivery with any necessary indorsement endorsement or assignment.

SECTION 113. 409.203 (1) (intro.) and (a) of the statutes are amended to read:

409.203 (1) (intro.) Subject to s. 404.208 on the security interest of a collecting bank, s. 408.321 on security interests in securities and s. 409.113 on a security interest arising under ch. 402, a security interest is not enforceable against the debtor or 3rd parties with respect to the collateral and does not attach unless:

(a) The collateral is in the possession of the secured party pursuant to agreement, or the debtor has signed a security agreement which contains a description of the collateral and in addition, when the security interest covers crops growing or to be grown or timber to be cut, a description of the land concerned; ~~and~~

SECTION 114. 409.302 (1) (f) of the statutes is amended to read:

409.302 (1) (f) A security interest of a collecting bank (s. 404.208) or in securities (s. 408.321) or arising under ch. 402 (see s. 409.113) or covered in sub. (3);

SECTION 115. 409.304 (1), (4) and (5) (intro.) of the statutes are amended to read:

409.304 (1) A security interest in chattel paper or negotiable documents may be perfected by filing. A security interest in money or instruments ~~(other than certificated securities or instruments which constitute part of chattel paper)~~, can be perfected only by the secured party's taking possession, except as provided in subs. (4) and (5) and s. 409.306 (2) and (3) on proceeds.

(4) A security interest in instruments, other than certificated securities, or negotiable documents is perfected without filing or the taking of possession for a period of 21 days from the time it attaches to the extent that it arises for new value given under a written security agreement.

(5) (intro.) A security interest remains perfected for a period of 21 days without filing where a secured party having a perfected security interest in an instrument (other than a certificated security), a negotiable document or goods in possession of a bailee other than one who has issued a negotiable document therefor:

SECTION 116. 409.305 of the statutes is amended to read:

SECTION 119. **Cross-reference changes.** In the sections of the statutes listed in Column A, the cross-references shown in Column B are changed to the cross-references shown in Column C:

A	B	C
Statute Sections	Old Cross-References	New Cross-References
112.07 (1)	408.102 (1)(b)	408.102 (1)(c)
408.102 (5)(a)	408.301	408.302
409.309	408.301	408.302
551.33 (6)	408.102 (1)(b)	408.102 (1)(c)

**409.305 When possession by secured party perfects security interest without filing.** A security interest in letters of credit and advices of credit (s. 405.116 (2) (a)), goods, instruments (other than certificated securities), money, negotiable documents or chattel paper may be perfected by the secured party's taking possession of the collateral. If such collateral other than goods covered by a negotiable document is held by a bailee, the secured party is deemed to have possession from the time the bailee receives notification of the secured party's interest. A security interest is perfected by possession from the time possession is taken without relation back and continues only so long as possession is retained, unless otherwise specified in this chapter. The security interest may be otherwise perfected as provided in this chapter before or after the period of possession by the secured party.

SECTION 117. 409.309 (title) of the statutes is amended to read:

**409.309 (title) Protection of purchasers of instruments, documents and securities.**

SECTION 118. 409.312 (7) of the statutes is amended to read:

409.312 (7) If future advances are made while a security interest is perfected by filing ~~or~~, the taking of possession, or under s. 408.321 on securities, the security interest has the same priority for the purposes of sub. (5) with respect to the future advances as it does with respect to the first advance. If a commitment is made before or while the security interest is so perfected, the security interest has the same priority with respect to advances made pursuant thereto. In other cases a perfected security interest has priority from the date the advance is made.