
Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 299 (Substitute S-1 as reported)
Sponsor: Senator Christopher D. Dingell
Committee: Financial Services

CONTENT

The bill would amend Article 8 of the Uniform Commercial Code, which governs securities transactions. Among other things, the bill would eliminate the current requirement that, to enforce a contract for the sale of securities, there be some form of writing or an admission in court that a contract exists. The bill specifies that a contract or modification of a contract for the sale of purchase of a security would be enforceable whether or not there was a writing signed or record authenticated by a party against whom enforcement was sought, even if the contract or modification were not capable of performance within one year of its making.

The bill also would govern the rights and duties between securities intermediaries (e.g., banks and brokers that hold securities for others) and entitlement holders (those who hold financial assets through securities intermediaries). The bill specifies how a person would acquire a security entitlement; provides that entitlement holders would have a property right in the financial assets; and describes the obligations of securities intermediaries toward entitlement holders, including obtaining a sufficient quantity of a financial asset, taking action to obtain a payment or distribution by the issuer of a financial asset, and complying with an entitlement order (directing transfer or redemption of an asset) if certain conditions were met. In addition, the bill specifies the jurisdiction in which disputes would be resolved.

The bill also would amend Articles 1, 4, 5, and 9 of the UCC to bring those articles into conformity with the proposed changes to Article 8.

The bill would take effect on January 1, 1998.

MCL 440.1105 et al.

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would have no fiscal impact on the Department of Consumer and Industry Services or on the Department of State.

Date Completed: 10-17-97

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