

NORTH CAROLINA GENERAL ASSEMBLY
1965 SESSION

CHAPTER 843
SENATE BILL 439

1 AN ACT TO PROVIDE FOR TRANSFER OR PLEDGE WITHIN A CENTRAL
2 DEPOSITORY SYSTEM OF STOCK OF A DOMESTIC CORPORATION LISTED ON
3 A REGISTERED NATIONAL SECURITIES EXCHANGE.
4

5 The General Assembly of North Carolina do enact:
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7 **Section 1.** Article 7 of Chapter 55 of the General Statutes is hereby amended by
8 adding immediately following Section 55-97 a new Section, to be designated as Section 55-
9 97.1 and to read as follows:

10 **"§ 55-97.1. Transfer or Pledge Within Central Depository System.**

11 "(a). For the purposes of this Section, the term:

- 12 (1) 'Clearing corporation' means a corporation all of the capital stock of which is
13 held by or for a national securities exchange or association registered under a
14 Statute of the United States such as the Securities Exchange Act of 1934.
15 (2) 'Custodian bank' means any bank or trust company which is supervised and
16 examined by State or Federal authority having supervision over banks and
17 which is acting as custodian for a clearing corporation.
18 (3) 'Security' means a certificate or instrument evidencing shares or rights to
19 purchase or subscribe to shares, or evidencing an obligation.

20 "(b). (1) Notwithstanding any other provisions of this Article, if a security, regardless
21 of the date of its issuance: a. is in the custody of a clearing corporation or of
22 a custodian bank or a nominee of either subject to the instructions of the
23 clearing corporation; and b. is in bearer form or indorsed in blank by an
24 appropriate person or registered in the name of the clearing corporation or
25 custodian bank or a nominee of either; and c. is shown on the account of a
26 transferor or pledgor on the books of the clearing corporation; then, in
27 addition to other methods, a transfer or pledge of the security or any interest
28 therein may be effected by the making of appropriate entries on the books of
29 the clearing corporation reducing the account of the transferor or pledgor
30 and increasing the account of the transferee or pledgee by the amount of the
31 obligation or the number of shares or rights transferred or pledged.

32 "(2) Under this Section entries may be with respect to like securities or interests
33 therein as a part of a fungible bulk and may refer merely to a quantity of a
34 particular security without reference to the name of the registered owner,
35 certificate or bond number or the like and, in appropriate cases, may be on a
36 net basis taking into account other transfers or pledges of the same security.

37 "(3) A transfer or pledge under this Section has the effect of a delivery of a
38 security in bearer form or duly indorsed in blank representing the amount of
39 the obligation or the number of shares or rights transferred or pledged. If a
40 pledge or the creation of a security interest is intended, the making of entries
41 has the effect of a taking of delivery by the pledgee or a secured party.

42 "(4) That entries made on the books of the clearing corporation as provided in
43 subsection (1) are not appropriate does not affect the validity or effect of the

1 entries nor the liabilities or obligations of the clearing corporation to any
2 person adversely affected thereby.

3 "(5) The provisions of this Section shall be applicable although the charter or
4 articles of incorporation or code of regulations or bylaws of the corporation
5 issuing the security, and the security itself, provide that the security or the
6 certificate or the instrument evidencing the security shall be transferable
7 only on the books of the corporation or shall be registered by a registrar or
8 transferred by a transfer agent."

9 **Sec. 2.** This Act shall be in full force and effect from and after its ratification.

10 In the General Assembly read three times and ratified, this the 8th day of June,

11 1965.