

# STAMP DUTIES

Janet O'Byrne offers a European perspective  
on medallion signature guarantee stamps

**A** medallion signature guarantee stamp (medallion stamp) is a physical stamp applied to transfer documents, which is provided by a member of the Medallion Signature Program, usually a US or Canadian investment bank. The transfer documents have to be signed by a shareholder or their authorised representative when selling or transferring shares held in US or Canadian companies through a US or Canadian transfer agent, in either paper share certificate or book-entry format, i.e. electronically held by the transfer agent. The medallion stamp guarantees the signature on documents is that of the shareholder or their authorised representative, and so limits the

liability or risk of the transfer agent against fraud.

This requirement is peculiar to shareholdings in the US and Canada. It is needed on all paper share certificate and book-entry format transfers, whether by sale of the shares or a 'third-party transfer', i.e. a transfer between two parties. For sales, the application of a medallion stamp on the sales documents is not directly visible to the client or shareholder, as it is part of the settlement process and in

most cases is not charged directly by the clearing broker, but is part of the settlement fees or commission. The requirement is more apparent for most practitioners when the shares are transferred in third-party transfers, outside the electronic settlement systems operated by brokerage houses that 'clear' shares as part of a sale arrangement. For example, during the administration of shares



in deceased estates, the lawyer or solicitor, as part of the administration of the estate assets, will need to take the shares out of the name of the deceased and transfer them to the beneficiary or the estate's legal personal representative(s). It is in this context that the medallion stamp must be applied to the forms directing the transfer from the deceased to the beneficiary or legal personal representative(s) before submission to the transfer agent.

#### MORE DEMAND

Demand for the medallion stamp service has increased, particularly in the UK and Ireland, where a large proportion of

shareholders still hold paper share certificates. Furthermore, as increasing numbers of UK and Irish companies are acquired by their US counterparts, this demand is likely to increase. An example of such changes is the recent corporate history of Cadbury. Originally, Cadbury Schweppes was an English company primarily listed on the London Stock Exchange. In 2008, it divested itself of its US beverage company, Dr Pepper Snapple, in a company reorganisation. Dr Pepper Snapple was spun off as a new company listed in the US to shareholders of Cadbury, which created the first US shareholding for Cadbury shareholders. In 2010, Cadbury itself was acquired by US food company Kraft for a combination of cash and shares, leading to shareholders who held paper share certificates in Cadbury Schweppes now holding book-entry holdings in both Dr

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Pepper Snapple and Kraft. A medallion stamp would be required to sell or, in particular, to transfer these shares.

The requirements of each medallion stamp provider may vary, but they at least require clear identification of the asset's owner – usually in the form of physical share certificates or the book-entry – in particular the name and address of the shareholder and quantity of stock held. A book-entry statement, provided by the transfer agent in the US, details the quantity of the shares held, together with the name and address of the shareholder, the company name in which the shareholding is held and the shareholder reference number (SRN) or account number. The medallion stamp provider also requires proof of identity and the address of the person signing the forms, similar to the requirements for anti-money laundering

checks. For an estate, further documents, such as the death certificate, the grant of representation and a copy of the will would also be required.

#### HIGH COSTS

The cost of obtaining a medallion stamp in the US and Canada is minimal. However, when applying for one in the UK and Ireland, prices seem to start from about GBP260 or EUR300 depending on provider, which makes administering small holdings very expensive. A London-based medallion stamp service was withdrawn in 2010, which left a vacuum in the market. Many agents have a replacement service in place, but as the documents go via the US, it is significantly more expensive and slower than a service operating from London. It is puzzling that the US investment banks operating in the large financial capitals of Europe have not seen the opportunity to offer this service to their European clients. Perhaps they do not wish to take on the risk attached to the service, for what would probably be regarded as a low return.

The only way to prevent the visible requirement of medallion stamps is to have your shares held by a stockbroker or custodian on your behalf, but most stockbrokers charge for this service. The pricing strategy of a flat fee for the medallion stamps on transfers does not seem to take into account the degrees of risk between large holdings and small holdings. If this service was viewed as a risk or insurance product, and priced according to the value of the shares being transferred, perhaps it would be more attractive to medallion stamp providers and a better and fairer system for shareholders wishing to transfer shares.

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