SENATE . . . . . No. 1876

By Mr. MacLean, a petition (accompanied by bill, Senate, No. 1876) of William Q. MacLean, Jr., for legislation to make technical and corrective changes in laws relative to the issuance of Commonwealth bonds and notes. Ways and Means (Senate).

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-four.

AN ACT MAKING TECHNICAL AND CORRECTIVE CHANGES IN LAWS RELATIVE TO THE ISSUANCE OF COMMONWEALTH BONDS AND NOTES.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Section forty-eight A of chapter twenty-nine of the General Laws, as most recently amended by section three of chapter three hundred and thirty-six of the acts of nineteen hundred and seventy-seven, is hereby further amended by striking out the third sentence and inserting in place thereof the following sentence: — If any officer whose signature or a facsimile of whose signature appears on any notes, bonds or coupons shall cease to be such officer before the delivery of, and receipt of proceeds from the borrowing evidenced by, such notes or bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery and receipt of proceeds.

SECTION 2. Section forty-nine of said chapter twenty-nine, as most recently amended by section one of chapter thirty-four of the acts of nineteen hundred and eighty-two, is hereby further amended by striking out the second and the fifth paragraphs and inserting in place thereof at the end of said section the following paragraphs: —

Bonds of the commonwealth may be issued as registered bonds or as bearer bonds, with or without coupons, as the state treasurer may deem best. Such bonds shall bear interest at such rate or rates as the state treasurer, with the approval of the governor, shall fix. The provisions of this paragraph

shall apply to any bonds issued after January first, nineteen hundred and eighty-two unless the act authorizing such issue expressly states that the provisions of this paragraph shall not apply.

SECTION 3. Said chapter twenty-nine is hereby further amended by inserting after section fifty-three thereof the following new section: —

Section 53A. (a) As used in this section the following terms shall have the following meanings, unless the context otherwise requires: —

(1) "Certificated registered bond" means a registered bond which is represented by an instrument.

(2) "Financial intermediary" means a bank, broker, clearing corporation or other person, or the nominee of any of them, which in the ordinary course of its business maintains registered bond accounts for its customers, when so acting.

(3) "Registered bond" means a bond, note or other evidence of indebtedness which is issued pursuant to a system of registration.

(4) "System of registration" means a plan that provides: —

(i) with respect to a certificated registered bond, that (1) the certificated registered bond specify a person entitled to the registered bond and the rights it represents and (2) transfer of the certificated registered bond and the rights it represents may be registered upon books maintained for that purpose by or on behalf of the state treasurer; and

(ii) with respect to an uncertificated registered bond, that (1) books maintained by or on behalf of the state treasurer for the purpose of registration of the transfer of a registered bond specify a person entitled to the registered bond and the rights evidenced thereby and (2) transfer of the uncertificated registered bond and the rights evidenced thereby be registered upon such books.

(5) "Uncertificated registered bond" shall mean a registered bond which is not represented by an instrument.

(b) The state treasurer is authorized to establish and maintain a system of registration with respect to each bond, note or other evidence of indebtedness which is issued by the commonwealth. The system may be either (1) a system pursuant

36 to which only certificated registered bonds are issued, or (2) a
37 system pursuant to which only uncertificated registered bonds
38 are issued, or (3) a system pursuant to which both certificated
39 and uncertificated registered bonds are issued. The system
40 shall be established, amended, discontinued or reinstituted for
41 the commonwealth by, and shall be maintained for the com-
42 monwealth as provided by, the state treasurer. The system
43 shall define the method or methods by which transfer of a
44 registered bond shall be effective with respect to the common-
45 wealth and by which payment of principal and any interest in
46 respect thereof shall be made. The system may permit the
47 issuance of registered bonds in any denomination to represent
48 several registered bonds of smaller denominations. The sys-
49 tem may also provide for the form of any certificated regis-
50 tered bond or of any writing relating to an uncertificated reg-
51 istered bond, for identifying numbers or other designations,
52 for a sufficient supply of certificates for subsequent transfers,
53 for record and payment dates, for varying denominations, for
54 communications to holders of bonds, and for accounting, can-
55 celled certificate destruction, registration and release of secur-
56 ity interests and other incidental matters. Unless the state
57 treasurer otherwise provides, the record date for interest pay-
58 able on the first or fifteenth days of a month shall be the fif-
59 teenth day or the last business day of the preceding month,
60 respectively, and for interest payable on other than the first
61 or fifteenth days of a month, shall be the fifteenth calendar
62 day before the interest payment date. Under a system pursu-
63 ant to which both certificated and uncertificated registered
64 bonds are issued, both types of registered bonds may be regu-
65 larly issued, or one type may be regularly issued and the other
66 type issued only under described circumstances or to particu-
67 lar described categories of owners, and provision may be made
68 for registration and release of security interests in registered
69 bonds.

70 (c) Whenever the commonwealth shall issue an uncertifi-
71 cated registered bond, the system of registration may provide
72 that a true copy of the official actions of the commonwealth
73 relating to such uncertificated registered bond be maintained
74 by the state treasurer or by the entity, if any, maintaining

75 such system on behalf of the state treasurer, so long as the
76 uncertificated registered bond remains outstanding and un-
77 paid. A copy of such official actions ,verified to be such by an
78 authorized officer, shall be admissible before any court of rec-
79 ord, administrative body or arbitration panel without further
80 authentication.

81 (d) A facsimile of the signature of any officer of the com-
82 monwealth on a certificated registered bond shall have the
83 same validity and effect as the manually written signature of
84 such officer. Certificated registered bonds delivered upon
85 transfer or exchange of previously issued certificated regis-
86 tered bonds may be approved by the governor who approved
87 the initial issuance of such series of certificated registered
88 bonds and such approval shall be valid and sufficient even if
89 such governor shall no longer be in office at the time of such
90 transfer or exchange.

91 (e) The state treasurer may appoint for such term as may
92 be agreed, including for so long as a registered bond may be
93 outstanding, coporate or other authenticating agents, transfer
94 agents, registrars, paying or other agents and specify the
95 terms of their appontment, including their rights, their com-
96 pensation and duties, limits upon their liabilities and provi-
97 sion for the payment by them of liquidated damages in the
98 event of breach of certain of the duties imposed, which liqui-
99 dated damages may be made payable to the commonwealth,
100 the owner or a finacial intermediary. None of such agents
101 need have an office or do business within the commonwealth.
102 The state treasurer may agree with custodian banks and fi-
103 nancial intermediaries, and nominee of any of them, in con-
104 nection with the establishment and maintenance by others
105 of a central depository system for the transfer or pledge of
106 registered bonds. Any such custodian banks and financial in-
107 termediaries, and nominees, may, if qualified and acting as
108 fiduciaries, also serve as authenticating agents, transfer
109 agents, registrars, paying or other agents of the common-
110 wealth with respect to the same issue of registered bonds.
111 Nothing contained herein shall preclude the state treasurer
112 from performing, either alone or jointly with other issuers of
113 bonds, within or without the commonwealth, any transfer,

114 registration, authentication, payment or other function de-
115 scribed in this section.
116 (f) The state treasurer may provide as a part of the sys-
117 tem of registration that the transferor or transferee of the
118 registered bonds shall pay all or a designated part of the costs
119 of the system as a condition precedent to subsequent transfers
120 or exchanges thereof or that the costs of the system arising
121 from the registration of the original purchaser of such regis-
122 tered bonds from the commonwealth shall be borne by such
123 purchasers.
124 (g) Records with regard to the ownership of registered
125 bonds shall not be deemed to be public records within the
126 meaning of section seven of chapter four. Registration rec-
127 ords of the commonwealth shall be maintained at such loca-
128 tions within or without the commonwealth as the state treas-
129 urer shall determine.
130 (h) This section shall be construed in conjunction with the
131 Uniform Commercial Code and the principles of contract law
132 relative to the registration and transfer of obligations.

1 SECTION 4. Chapter twenty-nine of the General Laws is
2 hereby amended by adding after section fifty-three A thereof
3 the following new section: —
4 *Section 53B.* The state treasurer is hereby authorized, upon
5 request of the governor, to issue and sell refunding bonds of
6 the commonwealth in an amount to be specified by the gov-
7 ernor from time to time for the purpose of paying, at matur-
8 ity or upon acceleration or redemption, any bonds of the com-
9 monwealth then outstanding, including the payment of any
10 redemption premium thereon and any interest accrued or to
11 accrue to the date of maturity, acceleration or redemption of
12 such bonds. Such refunding bonds may be issued at such time
13 prior to the maturity, acceleration or redemption of the bonds
14 to be refunded thereby as the state treasurer, with the ap-
15 proval of the governor, may deem advisable. The issuance of
16 such bonds, the security therefor, the maturities and other de-
17 tails thereof, the rights of the holders therof and the rights,
18 duties and obligations of the commonwealth with respect
19 thereto shall be governed by the provisions of this chapter
20 which relate to the issuance of bonds, insofar as such provi-

21 sions may be appropriate therefor. All bonds issued by the
22 commonwealth as aforesaid shall be designated on their face
23 General Obligation Refunding Bonds and shall be issued for
24 such maximum term of years, not exceeding thirty years, as
25 the governor may recommend to the general court pursuant to
26 Section 3 of Article LXII of the Amendments to the Consti-
27 tution of the Commonwealth, provided, however, that all such
28 bonds shall be payable not later than June thirtieth, two thou-
29 sand and thirty.

1 SECTION 5. Section fifty-eight of said chapter twenty-nine
2 is hereby amended by inserting after the last sentence thereof
3 the following sentence: — The provisions of this section shall
4 not apply (a) to bonds which were initially issued as regis-
5 tered bonds or (b) when registered bonds have been issued in
6 exchange for any coupon bonds pursuant to the provisions of
7 this section, to any subsequent transfers of such registered
8 bonds.

1 SECTION 6. Section four of chapter seven hundred and
2 twenty-four of the acts of nineteen hundred and seventy is
3 hereby amended by striking out the first sentence and insert-
4 ing in place thereof the following: — To meet the expendi-
5 tures necessary in carrying out the construction and improve-
6 ments authorized in section two, the state treasurer shall is-
7 sue and sell bonds of the commonwealth to an amount to be
8 specified by the governor, from time to time, but not exceed-
9 ing, in the aggregate, the sum of three million dollars.

1 SECTION 7. Section thirteen of chapter two hundred and
2 eighty-six of the acts of nineteen hundred and eighty-two is
3 hereby amended by striking out the words "section ten" and
4 inserting the following words in place thereof: — section
5 twelve.

1 SECTION 8. Section four of chapter six hundred and eighty-
2 seven of the acts of nineteen hundred and sixty-six, as amend-
3 ed by section fifteen of chapter eight hundred and seventy-
4 three of the acts of nineteen hundred and sixty-seven, is here-
5 by further amended by striking out the first sentence and in-
6 serting the following sentence in place thereof: — To meet a

7 portion of the expenditures necessary in carrying out the pro-
8 visions of section one of this act, the state treasurer shall,
9 upon the request of the governor, issue and sell bonds of the
10 commonwealth to an amount in the aggregate not to exceed
11 one hundred and fifty million dollars, to be specified by the
12 governor from time to time.