



# Medallion Stamp, Notary, and Signature Guarantee Risks

1

## Speaker



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In subject line reference: FIRMA Conference 2015

2

## Outline

- ▣ Overview of each witnessing technique
  - Medallion Signature Guarantee
  - Notary
  - Signature Guarantee
- ▣ Appropriate uses of each technique
- ▣ Risk with negligent, abusive, or unauthorized practices
- ▣ Best business practices and controls

3

## Medallion Signature Guarantee

- Security Transfer Agents Medallion Program or “STAMPS”
  - Why was it developed?
  - Who developed it?
  - Whom does STAMPS protect?



4

## **STAMPS & Risk Concerns**

- ▣ Developed to prevent fraudulent transactions.
- ▣ Security Transfer Association to meet requirements of an SEC Rule.
- ▣ Protects issuers and others from losses as a result of fraudulent securities transfer.

5

## **STAMPS - Verification**

- ▣ The program acts as a verification system
- ▣ Authenticates and guarantees the signature applied to securities.
  - Signature is genuine.
  - Signer is an appropriate person to endorse.
  - Signer has the legal capacity to endorse.

6

## STAMPS - Eligibility

- ▣ Eligible guarantors
  - Commercial banks;
  - Trust companies;
  - Savings associations;
  - Credit unions, as defined by the FDIC; and
  - Registered broker-dealers

7

## STAMPS - Limits

Surety  
limits

- A \$ 1,000,000
- B \$ 750,000
- C \$ 500,000
- D \$ 250,000
- E \$ 100,000
- F \$ 100,000 (Credit Unions per transaction)
- X \$ 2,000,000
- Y \$ 5,000,000
- Z \$ 14,000,000 (\$10 mil for Z prefix, plus an additional \$4 million of coverage for STA members stated in STA rule 1.04(a))

8

## STAMPS – Final Thoughts

Although STAMPS assists in the protection against fraud, the eligible guarantors are responsible for tracking and use of the Medallion Signature Guarantee stamp.

A Medallion should never be used like a notary stamp.

9

## Notary Public

- ▣ What are the eligibility requirements?
- ▣ How is one appointed?
- ▣ What is the purpose of a Notary?



10

## Notary - Requirements

- ▣ General eligibility requirements:
  - US citizen or lawful resident.
  - Person who has reached the age of majority, 18.
  - Lives or is employed in the respective state where they are seeking the appointment, e.g., 30 days in Illinois.
  - Has not been convicted of notary misconduct within the last 10 years.
  - Reads and writes the English language.

11

## Notary Appointment

- ▣ Appointment
  - By state government, usually Secretary of State.
  - Complete application.
  - Pay fee, usually a nominal amount, e.g., Illinois cost is \$10.
  - Bonded
    - ▣ \$5,000, e.g., Illinois

12

## **Notary - Usage**

- ▣ Purpose of a Notary
  - Serves as an impartial witness
  - Prevents forgery
  - Deters fraud
    - Identification of requestor/signer
    - Signature is genuine

13

## **Signature Guarantee**

- ▣ What is a signature guarantee?
- ▣ Who is eligible to provide them?
- ▣ When would you use it?

14

## **Signature Guarantee (continued)**

- ▣ Service/stamp provided by certain institutions or firms
  - When a Medallion is not required.
  - When a notary is not required or requested.

15

## **Signature Guarantee - Eligibility**

- ▣ Who is eligible to provide
  - No eligibility requirements
    - ▣ Unlike STAMPS
    - ▣ Unlike Notary Public

16



## **Signature Guarantee - Usage**

- ▣ When would you use one?
  - At customer's request
  - When a medallion is not required
  - When a notary is not required or requested
- ▣ Many larger institutions have done away with this service.
- ▣ Most associate a signature guarantee with Medallion

17

## **Appropriate Uses**

- ▣ Medallions
  - Only used for the exchanges of securities
- ▣ Notarizations
  - Real estate documentation
  - Affidavits
  - Powers of Attorneys
  - Letters
  - Other
- ▣ Signature Guarantees
  - Any requests other than security transactions or when a notary is required or requested

18

## Abusive or Unauthorized Practices

- ▣ Medallion
  - Culture of the institution/firm
    - Policies that govern
      - Use
      - Maintenance
      - Track/log
  - Insurance company could refuse claim if suspects
    - Negligent;
    - Carelessness; and or
    - Willful blindness

19

## Abusive or Unauthorized Practices (continued)

- ▣ Notary
  - Culture
    - Supportive
      - Institution or firm support notaries
      - Direct supervisor of notary employees support notaries
      - Support personnel for notaries
        - Answer questions
        - Stay on top of changes in law
  - Lawsuits
    - Employer has liability
      - Class action lawsuit, e.g., "Robo Notarizations"
      - Civil lawsuit
    - Notary liability
      - Personal
      - If convicted
        - Fined
        - Possible imprisonment
        - Revocation of appointment

20

## Abusive or Unauthorized Practices (continued)

- ▣ Signature Guarantee
  - No surety backing it
  - No bond backing it
- ▣ Potential liabilities
  - Whether there's a policy?
  - What damage was sustained, if any?
  - Who was damaged, if anyone?

21

## Medallion Best Business Practices and Controls

- ▣ Medallions
  - Institution wide policy
    - Use
    - Who may use it
    - Maintenance
    - Responsibilities
  - Training
    - Web-based
    - In-house
  - Support
    - Contact person, in house or 3<sup>rd</sup> party service
      - Questions about use
      - Issues
  - Internal tracking system
    - To which branch or area the stamp is assigned
      - Who is authorized to use it
    - Record use and what documents
  - Audit
    - Branch or area assigned
    - Records of use
    - How the stamp is kept

22

## **Notary Best Business Practices and Controls**

- ▣ Notary
  - Institution wide policy, possibility for tighter controls than state laws:
    - Who is eligible, may be tighter controls than State
    - Customers/non-customers
    - Types of documents
    - Maintenance
    - Whether log is kept, State mandated
  - Internal tracking system
    - Database
    - Process
      - Application
      - Renewal
  - Provide training, state specific
    - In-house
    - Web-based
  - Provide support
    - Supervisors
    - Notary risk officer
      - Ask questions
      - Discuss issues

23

## **Signature Guarantee Best Business Practices and Controls**

- ▣ Signature Guarantees
  - Institution/firm wide policy
    - When is it used
    - Who may use it
    - Maintenance
    - Tracking
    - Responsibilities

24

## **Closing Thoughts**

- ▣ Company wide policy
  - Medallion Signature Guarantee
  - Notary employees
  - Signature Guarantee
- ▣ Training
- ▣ Support
  - Supervisor
  - Risk officer

25

## **Question & Answer**

?

26