

Medallion Stamp, Notary, and Signature Guarantee Risks

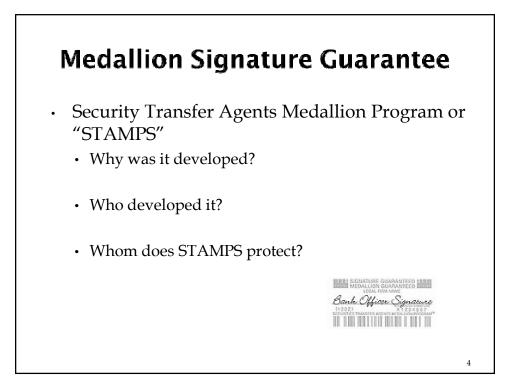


Outline

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

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Best business practices and controls



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.

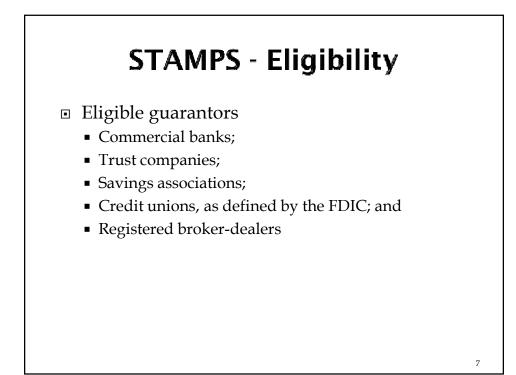
STAMPS - Verification

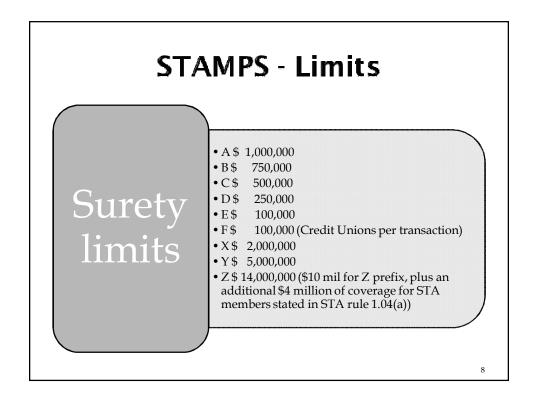
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□ The program acts as a verification system

- 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.



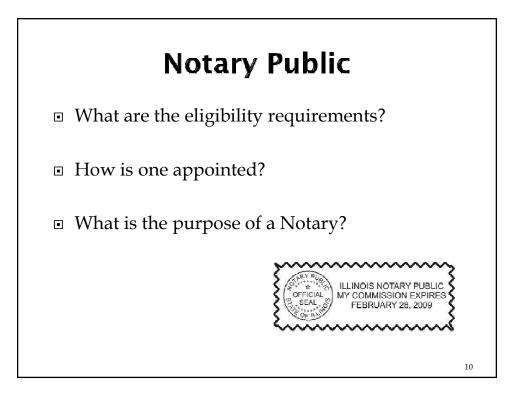


STAMPS - Final Thoughts

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.

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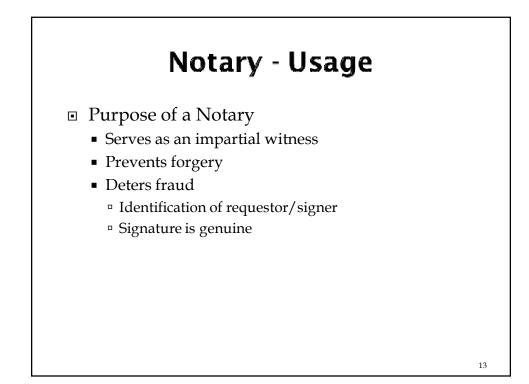


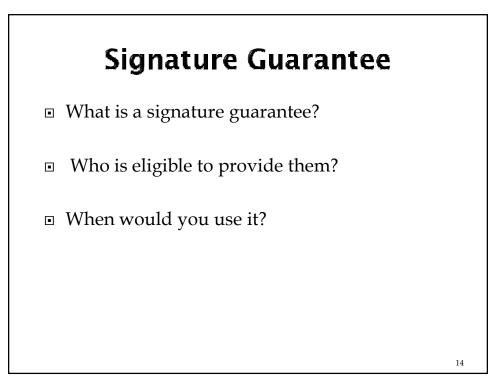
Notary - Requirements

- 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.

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







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

Signature Guarantee - Eligibility

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

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

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

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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

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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?



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
 - DatabaseProcess
 - Application
 - Renewal
- Provide training, state specific
- In-house
- Web-based
- Provide support • Supervisors
- Supervisors
 Notary risk officer
 - Ask questions
 - Discuss issues

Signature Guarantee Best Business Practices and Controls

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

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