

TITLE 5: UNIFORM COMMERCIAL CODE
DIVISION 8: INVESTMENT SECURITIES

§ 8306. Warranties on Presentment and Transfer of Certificated Securities; Warranties of Originators of Instructions.

(1) A person who presents a certificated security for registration of transfer or for payment or exchange warrants to the issuer that he is entitled to the registration, payment, or exchange. But, a purchaser for value and without notice of adverse claims who receives a new, reissued, or reregistered certificated security on registration of transfer or receives an initial transaction statement confirming the registration of transfer of an equivalent uncertificated security to him warrants only that he has no knowledge of any unauthorized signature (5 CMC § 8311) in a necessary indorsement.

(2) A person by transferring a certificated security to a purchaser for value warrants only that:

- (a) His transfer is effective and rightful;
- (b) The security is genuine and has not been materially altered; and
- (c) He knows of no fact which might impair the validity of the security.

(3) If a certificated security is delivered by an intermediary known to be entrusted with delivery of the security on behalf of another or with collection of a draft or other claim against delivery, the intermediary by delivery warrants only his own good faith and authority, even though he has purchased or made advances against the claim to be collected against the delivery.

(4) A pledgee or other holder for security who redelivers a certificated security received, or after payment and on order of the debtor delivers that security to a third person, makes only the warranties of an intermediary under subsection (3) of this section.

(5) A person who originates an instruction warrants to the issuer that:

- (a) He is an appropriate person to originate the instruction; and
- (b) At the time the instruction is presented to the issuer he will be entitled to the registration of transfer, pledge, or release.

(6) A person who originates an instruction warrants to any person specially guaranteeing his signature (5 CMC § 8312(3)) that:

- (a) He is an appropriate person to originate the instruction; and
- (b) At the time the instruction is presented to the issuer:
 - (i) He will be entitled to the registration of transfer, pledge, or release; and
 - (ii) The transfer, pledge, or release requested in the instruction will be registered by the issuer free from all liens, security interests, restrictions, and claims other than those specified in the instruction.

(7) A person who originates an instruction warrants to a purchaser for value and to any person guaranteeing the instruction (5 CMC § 8312(6)) that:

- (a) He is an appropriate person to originate the instruction;
- (b) The uncertificated security referred to therein is valid; and

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(c) At the time the instruction is presented to the issuer:

(i) The transferor will be entitled to the registration of transfer, pledge, or release;

(ii) The transfer, pledge, or release requested in the instruction will be registered by the issuer free from all liens, security interests, restrictions, and claims other than those specified in the instruction; and

(iii) The requested transfer, pledge, or release will be rightful.

(8) If a secured party is the registered pledgee or the registered owner of an uncertificated security, a person who originates an instruction of release or transfer to the debtor or, after payment and on order of the debtor, a transfer instruction to a third person, warrants to the debtor or the third person only that he is an appropriate person to originate the instruction and, at the time the instruction is presented to the issuer, the transferor will be entitled to the registration of release or transfer. If a transfer instruction to a third person who is a purchaser for value is originated on order of the debtor, the debtor makes to the purchaser the warranties of subsections (7)(b), (7)(c)(ii) and (7)(c)(iii) of this section.

(9) A person who transfers an uncertificated security to a purchaser for value and does not originate an instruction in connection with the transfer warrants only that:

(a) His transfer is effective and rightful; and

(b) The uncertificated security is valid.

(10) A broker gives to his customer and to the issuer and a purchaser the applicable warranties provided in this section and has the rights and privileges of a purchaser under this section. The warranties of and in favor of the broker, acting as an agent are in addition to applicable warranties given by and in favor of his customer.

Source: PL 3-56, § 1 (§ 8306).