August 10, 2026

The Honorable Tom Umberg, Chair
Senate Judiciary Committee
1021 O Street, Suite 3240
Sacramento, CA 95814

Re: ***AB 1447 (Gipson) OPPOSE***

Dear Senator Umberg,

The Investment Company Institute (ICI) and the organizations listed above, write in respectful opposition to AB 1447 (Gipson) which would establish an overly stringent inactivity standard for securities governed by California's Unclaimed Property Law (UPL), Code of Civil Procedure section 1516. The bill represents a dramatic shift in policy and would require the State to take custody and liquidate securities automatically deemed abandoned simply due to the securities owner not affirmatively contacting or interacting with their financial institution during the 3-year dormancy period, even if mail, including tax forms and account statements, is still successfully reaching them.

AB 1447 would accelerate the transfer of privately owned investment assets to the State without sufficient evidence that the owner has abandoned the asset, forgotten about it, or lost contact with the holder. A more balanced and effective policy is the existing returned communication standard, under which securities are presumed abandoned only after a period of inactivity and communications are returned as undeliverable. The returned communication standard better demonstrates actual loss of contact and whether an owner is truly unreachable, while reducing harm to Californian investors by preventing premature escheatment and subsequent liquidation. Premature escheatment and liquidation takes the investment/redemption decision away from the investor and causes the investor to lose out on all future upside – including dividends, interest, and market appreciation.

The harm at stake would fall directly on everyday Californians, and two groups are particularly vulnerable to it: retirees and military service members. When securities escheat to the State and are liquidated, this in effect converts a diversified, appreciating investment into a fixed cash amount frozen at the moment of sale. Retirees who structure their finances around long-held, buy-and-hold positions for retirement income routinely go years without actively trading or corresponding with a holder—that inactivity is the point of the strategy, not a sign of abandonment. Service members deployed overseas are at times unable to correspond with a financial institution for months or years at a time through no choice of their own, yet continue to receive mail and statements without incident. For both groups, this is not a technical inconvenience. It is the forced liquidation of real household wealth based solely on the owner's silence, even while that owner continues to receive and presumably read account statements and other mail without incident. This same dynamic also plays out for other investors under an inactivity standard, including parents saving for a child's education and heirs who have not yet had occasion to actively manage inherited securities.

Under California's current UPL, securities are deemed abandoned and may escheat to the State only when both of the following conditions are met:

1. The securities holder has had no contact with the securities owner, and the securities owner has shown no interest in the securities for three years.
2. The securities holder has not "known the location of" the securities owner.

AB 1447 would establish a new strict 3-year inactivity standard and reverse the current returned communication standard that has been in place for decades. By exclusively relying on inactivity as the trigger for escheatment, the bill removes the second requirement for the holder to not know the location of the owner. The consequence will be a dramatic lowering of the standard for when securities escheat to the State causing a significant, and inappropriate, spike in securities transferred and liquidated by the State. The bill essentially provides the same aggressive inactivity standard the state of Florida passed in 2024, causing over $1 billion in securities to escheat to the State prematurely. This caused a huge uproar and forced the State to reincorporate a returned communication standard into the Florida statute. Florida also earmarked additional funds in this year's budget to deal with the many claims that continue to come in from investors seeking their assets. If AB 1447 is enacted, California would repeat the Florida mistake and become the most aggressive state in the country for escheating securities.

The inactivity standard in AB 1447 assumes that a lack of activity by the owner equates with abandonment. Modern investing practices demonstrate otherwise. Millions of Americans intentionally hold securities for years without initiating trades or contacting their financial institution. A strict inactivity-only trigger will result in premature escheatment which creates economic consequences that extend well beyond temporary custody. This would cause, as demonstrated by Florida, harm to long-term investors who deliberately employed buy-and-hold strategies. This aggressive policy also disproportionately affects investors who are retirees who hold securities for income, military personnel deployed for extended periods, individuals living abroad, and beneficiaries of inherited securities. Furthermore, when securities are liquidated as part of the escheat process, securities owners can only claim the amount the State receives when the securities are liquidated. In the case of investments held for long-term savings purposes (e.g., retirement or education), the harm to the securities owner can be financially devastating, including unwanted tax consequences, and losing out on future market appreciation, dividend income, compounding investment returns, and long-term ownership positions built over many years. By contrast, there is virtually no risk to investors when securities are not escheated prematurely. When we are dealing with Californians' life savings, the State should err on the side of being extra cautious before escheating securities that will then be sold.

California has long relied on a communications-based standard to determine whether a holder knows an owner's location, providing that successfully delivered communication demonstrates that a holder continues to know where an owner can be reached and, therefore, has not lost contact with the owner. In addition, there are safeguards under existing Federal standards for lost securityholders that require transfer agents, brokers, and dealers to search for lost securityholders and the Federal rules recognize the inherent risk in improperly classifying owners as lost. The purpose of Rule 17Ad-17 under the Securities Exchange Act of 1934 is to obligate transfer agents and brokers to attempt to locate owners, over an extended timeframe, such that only truly lost securities owners are identified as "lost," and summarily reported to the SEC, and then subject to state escheatment. When investors continue to receive communications from a mutual fund, broker-dealer, or securities issuer, they are aware of their investments and cannot reasonably be said to have abandoned them. For that reason, the model law—the Revised Uniform Unclaimed Property Act (RUUPA)—and most states, do not require the escheatment of securities unless communications sent to the owner are returned as undeliverable. A majority of US states follow the returned communication standard, and California should continue to do the same.

For all the reasons stated above, we respectfully oppose AB 1447 and urge your "NO" vote on the bill and instead support the longstanding current returned communication standard that better protects California households who own securities, reduces the risk of unnecessary and harmful escheatment, and aligns California law with the approach used by the majority of states across the country.

Sincerely,

Investment Company Institute – Kyle Gilbert
Securities Industry and Financial Markets Association – Kim Chamberlain
California Bankers Association – Jason Lane
California Credit Unions – Emily Udell
Shareholder Services Association – Christy Docauer
Securities Transfer Association – Melissa Cabocel
Holders Coalition – Shannon Wild

Cc: The Honorable Mike Gipson, Member, California State Assembly
All Members, Senate Judiciary Committee
Allison Meredith, Counsel, Senate Judiciary Committee
Morgan Branch, Policy Consultant, Senate Republican Caucus
Matthew Fleming, Deputy Legislative Affairs Secretary, Governor Gavin Newsom