



As part of IRI's ongoing efforts to drive the industry forward through its Guiding Principles for Modernization, IRI and its members examined the current use of Medallion Signature Guarantee (MSG) stamps.

Two main suggested best practices are as follows<sup>1</sup>:

- Carriers suspend the use of MSG and original documents and go to risk-based supervision of transactions.
- Carriers and distributors collectively adopt eSignature with heightened authentication where it is needed.

This best practice is merely a recommendation and not a requirement. All IRI members and other industry participants can and should exercise independent business judgement to determine whether and how to adapt their policies and procedures to align with this best practice.

MSG stamps originated with the Medallion Program Indemnity Agreement, signed by all Medallion Guarantors which indemnifies the Transfer Agent against losses "arising out of or in connection with the transfer, payment, exchange, [purchase or delivery of securities](#) in reliance upon the [Guarantor's] Imprint." The stamps are typically acquired at financial institution branch offices such as banks, credit unions, savings firms, mutual fund, or brokerage firms and are not readily available to financial advisors

In the annuity industry, the MSG stamp has been used by the industry as a form of identity protection for the movement of premium like withdrawals and transfers. It has been adopted as a mechanism of fraud prevention for the annuity and life insurance industry. Using the stamp in this manner is [a misuse of the stamp](#) and it is misleading as it does not include the authentication provided under the Medallion Program Indemnity Agreement.

In addition to the misuse of the stamp, these stamps are not readily available to financial advisors. Lack of access to MSG stamps has presented additional processing delays that slow down the settlement of the financial transaction which creates an unfavorable environment for the policy holders, financial

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<sup>1</sup> *The recommendation provided herein was developed as the result of discussions within the Operations & Technology Community which comprises of individual representatives of IRI member companies. IRI, as an organization, does not provide legal advice or recommendations, but helps facilitate the dissemination of industry best practices as developed by IRI members. All IRI members and other industry participants can and should exercise independent business judgement to determine whether and how to adapt their policies and procedures to align with this best practice.*



professionals, broker/dealers, and carriers attempting to complete replacements and in-force transactions.

Regarding using the stamps for fraud prevention within the Annuity industry, IRI research shows that there is no additional fraud prevention provided by the stamps in these use cases. Based on a 2020 survey of IRI carriers, all current firms that require a stamp are accepting non-original stamps in the form of facsimile or email. The originality of the stamp, in all arenas, is vital to assuring validity. The security value of the stamp is based on the use of original [bright green ink](#) applied by licensed equipment used in the stamp barcoding process. By allowing non-original stamp usage, the stamp's integrity is voided.

If fraud prevention is desired in the annuity industry, carriers should consider requiring a digital e-Signature that has heightened authentication such as two-factor or knowledge match authentication. e-Signature with heightened authentication contains a full record of the process in the form of an audit, signer authentication, in addition to any security that is around the order entry process. Please refer to IRI's e-Signature Best Practices for more information on this option.

It is our recommendation that the industry ceases the requirement of MSG as a mechanism of authorization. We make the following suggestions as alternative means of identity authentication:

- e-Signature
- Direct Consumer and/or Financial Professional Outreach (recorded phone line/email/video conference)
- e-Signature with heightened authentication
  - Voice Biometrics
  - Multi-Factor Authentication
  - Knowledge Based Authentication (KBA)
- Consumer Portal Login