

# Cede Freeze Fails To Kindle Personal Jurisdiction In Nevada

Article By:

Keith Paul Bishop

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Many may have heard of Cede and Company, but what exactly is it and who owns it? Cede is a New York partnership, of which Depository Trust Company and The Depository Trust and Clearing Corporation are partners. The former, DTC, is a New York corporation that is a wholly owned subsidiary of the latter, DTCC, which is also a New York corporation. DTC is an SEC registered clearing agency that contracts with broker-dealers who constitute its participants to provide them with book-entry services for securities that they deposit with DTC. Those securities are held in the street name of DTC's nominee, Cede, which is thus the legal owner of the securities.

## Chills & Freezes at the DTC

Sometimes, problems arise with an issuer or the securities on deposit with DTC. When this happens, DTC may stop certain services, a "chill", or discontinue all services, a "freeze". A "freeze" is formally referred to as a "global lock". See the SEC's investor bulletin, [DTC Chills and Freezes](#). When DTC chills or freezes a security, it will issue a "Participant Notice" to its participants. These notices are publicly available on DTC's [website](#).

## Personal Jurisdiction

Having a global lock imposed on a security is obviously not good news for investors who purchased shares through brokers. When DTC imposed a global lock on shares of a Nevada corporation in which Jan Harris had invested, she sued DTCC, DTC and Cede for failure to issue stock certificates in her name and interfering with her possessory interest in the shares. Whatever the merits of Ms. Harris' claims, they would not be heard unless she could allege personal jurisdiction. In *Harris v. Depository Trust & Clearing Corp.*, 2018 Nev. Unpub. LEXIS 127, the Nevada Supreme Court held that Cede's holding of legal title in the shares of a Nevada corporation was insufficient to establish specific personal jurisdiction.

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