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Law Commission Review of Intermediated Securities – Call for Evidence

This is a joint response from UKSA and ShareSoc on behalf of individual investors.

UKSA and ShareSoc are not-for-profit organisations that represent the interests of private investors and shareholders. In addition to our own members, there are 5 million people who own shares and have investment accounts with platforms in the UK. The Office for National Statistics estimates that individual investors own 12% of the UK stock market by value and 30% of the AIM market. In addition to this, there are many more who have money invested in shares via funds, pensions and savings products such as employee share ownership schemes.

In April – May 2019 ShareSoc undertook a survey of members on their use of investment platforms. Over 550 responses were received (over 11% response rate), with each commenting on use of up to three platforms. This showed clearly the detriment to individual investors from the current situation. We have included key conclusions from the survey in our responses below.

Summary of key issues and proposals

ShareSoc and UKSA welcome this Call for Evidence.

Communication by email rather than by post is now the norm and assumed as the default position. Printing annual reports and shareholder circulars and sending them to shareholders by post is no longer necessary. Postage and printing costs were some of the key drivers of the nominee system. A modern system of intermediated securities should embrace and recognise modern technology and ensure the costs savings available are achieved and shared with the beneficial investors.

The current computerised processes mirror the old days of paper settlement and are no longer fit for purpose. It is time for a new approach, based on the administrative streamlining that modern technology can offer, with a simple ownership model directly linking companies and their ultimate investors.

We are moving towards Dematerialisation in 2023. This will require change and is **the ideal opportunity** to reform the way shares are owned in the UK and ensure all individual

"shareholders" have their shareholder rights restored.

Many investors recognise that the current system of ownership has fundamental flaws which The Law Commission's excellent analysis identifies. The most notable issue for private investors is that, when shares are held via a nominee, the beneficial investor is not the legal shareholder; the nominee is the shareholder. More importantly, the rights and obligations of legal share ownership are not effectively passed through to the ultimate (beneficial) investor under current rules:

- The ultimate investor does not automatically, as of right, receive communications from the companies in which they have invested.
- The right of the ultimate investor to attend and vote at AGMs is subject to facilitation (and may be at a cost) by the nominee;
- The ultimate investors' funds are not entirely safe as the collapse of Beaufort and the subsequent debate about the administrator's fees revealed.

Appendix 1 gives examples of recent cases in which the current intermediated system has caused problems both in terms of shareholder rights and in terms of wider governance and stewardship issues.

Research shows that 940 out of every 1,000 individuals who own shares do not vote their shares. This is at least in part because the current system acts as a deterrent. This needs to change. **Individual shareholders can greatly assist in corporate governance, effective company engagement and holding directors to account. Individual shareholders need to be better empowered so to do.**

Shockingly, many people are not aware of the limitations of nominee accounts or of the fact that they do not own the shares they have purchased. Many private investors may not even be aware of the exact terms that are, in effect, being imposed on them. Hargreaves Lansdown's terms and conditions, for example, run to some 14,000 words.

We acknowledge that many private investors like the current intermediated system of holding their investments via a nominee. This is primarily because it relieves them of much of the administrative burden of share ownership. These benefits can be preserved, whilst at the same time rectifying the system's fundamental flaws.

Our preferred approach is for individual investors to hold their shares directly (i.e. in their own names) on an electronic register. This was also the solution recommended by the Kay Review of UK Equity Markets (2012). Under this proposal the intermediary (Broker / Platform / Nominee / Bank) simply becomes an agent acting on behalf of the ultimate shareholder. As the agent they would offer a range of services, as at present, which they would charge for. An outline of how this would work in practice is shown below in our answer to Question 1.

This would:

- Allow ultimate shareholders to retain full rights of share ownership (receiving communications from the company, attending AGMs / EGMs and voting unless they opt not to do so);
- Ensure that the ultimate investors were not at risk of losing money as a result of administrative failings, malfeasance or bankruptcy of nominees;

- Allow the company to identify individual members, how long they have been members and the extent of their interest in the company;
- Enable the company to communicate more effectively with its ultimate owners;
- Enable ultimate investors to communicate with company management whenever they choose in their capacity as a registered member;
- Enable ultimate investors to communicate with other shareholders in order to explain issues and other views than the Board's and to requisition shareholder resolutions.

Most importantly, this would improve corporate governance. It would resolve the current highly unsatisfactory situation in which those who are legally the members of the company (the nominees) and who are supposed to be exercising governance and stewardship oversight have no financial interest of their own in the business and have inadequate incentive to exercise proper, long-term responsibility in this respect. The results are all too clear to see in the recent governance disasters (Carillion, Royal Mail, Thomas Cook, Persimmon, etc) and the egregious levels of CEO pay which, to a large extent, are now accepted by asset managers as the norm. As concern mounts about climate change issues and its implications for business, it is clear that stronger stewardship is needed. Far better that this should come from shareholders with money of their own invested, rather than it be left to pressure groups and those fund managers who burnish 'green' credentials for marketing purposes.

This approach, in which the ultimate investor is the registered member, also meets all the needs that arise under dematerialisation – the specific issue raised under Question 21.

Answers to Questions asked in the Call for Evidence

We have answered your questions in the order you have presented them in the consultation. However, we recommend readers first read our answers to Q20 and Q21 about dematerialisation as this sets the context for our other answers.

In order to avoid repetition we have cross-referenced answers to some questions in answers to others.

1. **Do you consider that it is difficult for ultimate investors to exercise their voting rights? If so:**

   (1) Do you have examples, or specific evidence, of difficulties experienced by ultimate investors in exercising their voting rights?

   Yes. The problems that ultimate investors have, in exercising their voting rights when their shares are held by a nominee, affects not only their ability to vote, but also their ability to exercise their wider governance and stewardship responsibilities.

   It is not just the issue of voting rights that is a problem. The ultimate investor is currently unable to engage with the company. He or she does not, by default, receive information issued by the company to its shareholders (for example, the annual report, details of the AGM and the resolutions).

   Ultimate investors are not even in a position to write to the Chairman of the company to ask questions because their relationship with the company has no

meaningful legal status. Ultimate investors are also unable to communicate with other shareholders and therefore have no means of knowing what their views might be.

Sadly, only 6 out of every 100 retail investors vote their shares. For one large platform we were told the figure is only 1 out of every 100. These very low vote rates are in part explained by the lack of information flow to ultimate investors and by the difficulties faced by retail investors in exercising their right to vote.

We have many examples from our >5,000 members of the difficulty they have in voting. They include

a. Not being made aware of the AGM/EGM
b. Not being sent a voting form or link to a website page for voting
c. Not being able to validate that an instruction to a platform has resulted in the interest in shares being voted by the nominee (i.e. the member in law).

As an exercise, it would be very valuable to compare the voting rates on shares held by individual investors in nominee accounts with those held directly via Crest accounts. We recommend that the Law Commission review should involve a study of this nature.

The ONS statistics show that individual investors own 10% of the FTSE 100 companies, 19% of other quoted companies and 30% of AIM companies. See https://www.ons.gov.uk/economy/investmentspensionsandtrusts/bulletins/ownershipofukquotedshares/latest and the table below.

Table 3: Holdings of FTSE 100, Alternative Investment Market and other quoted companies by beneficial owner

At 31 December 2016

	Percent		
	FTSE 100	**Other quoted**	**AIM**
Rest of the world	56.0	48.5	42.8
Individuals	9.5	19.4	29.7
Unit trusts	9.1	10.4	11.3
Other financial institutions	8.1	8.3	8.3
Insurance companies	5.0	5.0	1.8
Pension funds	3.0	3.0	2.8
Public sector	1.5	0.0	0.0
Private non-financial companies	2.6	1.1	0.2
Investment trusts	2.0	2.3	2.4
Banks	2.0	1.2	0.4
Charities, churches, etc.	1.1	0.7	0.4
Total[1]	100.0	100.0	100.0

Source: Office for National Statistics

Notes:

1. Components may not sum due to rounding

The Myners report recommended action to ensure institutional investors vote and this has increased their voting. Paradoxically it has weakened the impact of the few individual investors that vote. Action must now be taken to improve the numbers of retail investors who vote.

The issue is wider than voting. Most of the shareholder engagements are led by UK institutions, asset owners and asset managers. Individual investors are excluded from these engagements, in most cases[1]. The current low levels of voting are cited by institutional investors and companies as a reason for excluding individual investors from shareholder engagements.

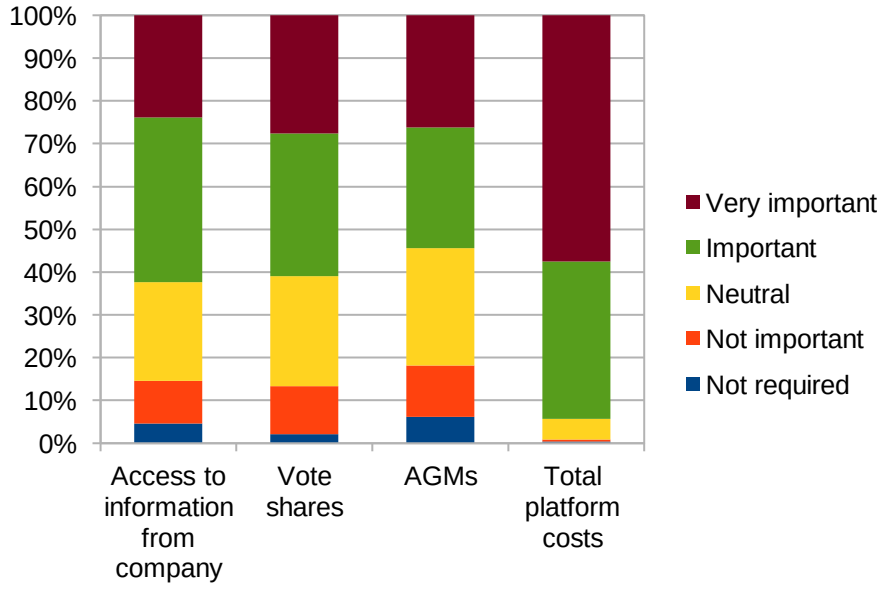
Ultimate investors have been systematically marginalised. We note that the terms and conditions for many platforms do not provide voting rights to ultimate investors. Nor does Part 9 of Companies Act 2006 make it a requirement that voting rights must be transferred to the ultimate investor.

During April – May 2019 ShareSoc and UKSA surveyed their respective memberships about their views on investment platforms as part of our response to a consultation which the FCA conducted on competition between platform providers. We received over 550 responses from members (an 11% overall response rate).

The survey confirmed that the ability to enjoy and exercise shareholder rights, such as voting and attending AGMs, is an important or very important feature of investment platforms for more than half of those surveyed. Figure 1 below gives the breakdown for different shareholder rights.

The survey also revealed a view that platform providers should not expect to charge a premium for these as total platform costs are also very important for more than half of those surveyed and important or very important for over 90%.

Figure 1: Importance of Specific Platform Features



1 ShareSoc-UKSA were asked to participate in engagements with Royal Mail and Persimmon in 2019. Such invitations are rare.

A further issue for investors is that under the current nominee system it is not easy for them to know what their rights are. While there are certain basic share ownership rights which are supposed to be offered to the ultimate investor under ISA rules. These rights are rarely mentioned. Many ISA holders are probably unaware of their rights.

The Interactive Investor terms and conditions for ISAs ,see https://media-prod.ii.co.uk/s3fs-public/pdfs/isa_terms.pdf , state that investments in an ISA with Interactive Investor are defined in the T&C as "means any stocks, shares, cash, benefits or other rights held within a Plan." Most readers would think from this definition that they owned the shares in a Plan. Only those with a legal bent would realise that para 5.7 defines who really holds the shares, viz. "5.7 Share certificates or other documents evidencing title to Investments will be held in the name of our Nominee or as we may direct."

Interactive Investor do not promote the Section 6(3)(d) rights. In fact they hide them in para 8 of the ISA terms and conditions. These rights are not prominent on their website, nor on their daily emails or weekly emails about companies' performance and upcoming AGMs.

We do not wish to single out Interactive Investor. Their terms and conditions are typical of many platforms. And where an ultimate investor is sufficiently tenacious to navigate his / her way through the system it is possible to get information on AGMs, etc and to vote shares. A proxy form has to be sent by post (causing another delay) and has to be signed[2] by a manager in Interactive Investor – but they do not charge for this service.

Details of Interactive Investors T&C and ISA regulations are in Appendix 3.

Outside the ISA regime, the ultimate investor is very much at the mercy of the terms and conditions set by the platform providers. There are, for example, approximately 14,000 words in the Hargreaves Lansdown terms and conditions. This is not untypical. Hence it is difficult for the individual investor to know precisely what his or her rights are. In many cases it seems that the ultimate investor is not given any specific rights under the terms of the platform supplier's contract and even if they can negotiate rights on an ad hoc basis they may be required to pay for them as a non-standard element of service.

We believe the low levels of attendance at AGMs are caused, partly, by the difficulties some investors have in receiving information. Our small sample of companies showed the following which is strong evidence of the low attendance at AGMs.

[2] This anachronism should be changed. We are unsure if needs a change to the law or for Interactive Investor to merely update their internal procedures and move with the times. The proxy should be sent automatically via email, e.g. like a boarding pass for a plane flight.

Company	No of Members	Member	CorporateRep	3rd party proxy	Guest
M&S	150,000	518	75		93
LandSec	9,968	25	7	3	3
National Grid	707,506	246	7		36
		Guest would be someone allowed to attend meeting who wasn't a member or proxy. Some companies are very strict and don't allow guests			

Corporate Rep means an ultimate investor who owns their shares via nominee. This type of investor appears unlike to attend AGMs. Further research needs to be done to identify if this is because they are unaware of AGMs or if it is for other reasons.

Data about attendance at AGMs although not directly relevant to Q1, may be indicative of the voting problem, because low voting and low AGM attendance may both be the result of the same problem - the low levels of receiving information about AGMs and voting.

One FTSE 100 company in response to a question from ShareSoc-UKSA has provided us with this information, which appears to show that some of the nominees requested hard copy documents (or emails) to be sent to their investors, but many nominees do not provide any information details to those who hold shares.

> *"The following nominees have requested hard copy documents (or emails) to be sent to their investors. There are possibly others but Equiniti (our registrars) has not been supplied with any details to send to them directly.*
>
> *Share Nominees Limited*
> *Redmayne (Nominees Limited)*
> *(Platform Securities) Nominees Limited*
> *TD DIRECT INVESTING NOMINEES (EUROPE) LIMITED*
> *The Corporation of Lloyds*
> *HSDL Nominees Limited*
> *Rathbone Nominees Limited*
> *JM Finn"*
> *Nortrust Nominees Limited*
> *Hargreaves Lansdown*

Further evidence of the problems that individual shareholders face is contained in the Kay Review of UK Equity Markets (2012) The Review notes:

'*The proportion of shares in UK companies held by private individuals has, as we have noted, fallen steadily and we do not anticipate that this trend will be reversed.*

While some personal shareholders are traders, most are investors with real interest in the companies in which they invest. Direct shareholding should not be discouraged and it should be as easy as possible for small shareholders to maintain contact with companies.
12.15 Since the establishment of CREST in the 1990s, it has become increasingly common for retail investors to hold shares through omnibus nominee accounts. Although some private client brokers offer the alternative of CREST personal membership to their clients, most execution only stockbrokers require their clients to use these nominee accounts. The 2006 Companies Act provided a right for holders using nominee accounts to access company information, but these rights are not widely used even through the brokers who make them easy to exercise. ISAs, the tax exempt savings vehicle for private individuals, allow shareholding only through nominee accounts.
12.16 We regret that equity markets have evolved in a way which diminishes the sense of involvement which savers enjoy with the companies in which their funds are invested. We are also concerned about the security of nominee holdings. Although nominees are required to segregate holdings from those held for the benefit of the nominee company and its associates and to maintain appropriate records for omnibus accounts, recent events have shown that similar arrangements cannot necessarily be relied on in times of extreme stress. 84 85
12.17 Other jurisdictions which have dematerialised securities holding, such as Australia, Hong Kong and Sweden, have made arrangement to facilitate direct access by individuals. When CREST was first introduced, only a minority of shareholders could operate their accounts electronically. Now that internet access is widespread this is not the case and it is important to ensure that investors holding shares electronically can continue to enjoy the same opportunities for engagement with companies as they have done in the past, whether they hold those shares either directly or through an intermediary.'

One of the recommendations of the Kay Review is:

'Recommendation 17: The Government should explore the most cost effective means for individual investors to hold shares directly on an electronic register'.

Issuers

The nominee system does not work well for issuers as they cannot make contact with their ultimate investors. Issuers do not know the email addresses of their ultimate investors who hold interests in shares via nominees. They may be able to obtain the postal addresses of those who hold interests in shares, but this will require a S793 request and the information may not be readily available. We cite the examples of:

i. Albion Venture Capital Trust, where the company was unable to contact (in the run up to its 2019 AGM) its "shareholders" who held their shares via nominee. The company estimated 30% of its shares were held by nominee.
ii. RBS who are running a virtual shareholder engagement meeting on 25 Nov 2019. We understand RBS is unable to communicate with its "shareholders" who hold shares via nominee. Consequently it only invites shareholders who are on the shareholder register. The lack of email addresses of shareholders also makes the cost of organising the event and publicising it much higher

than it needs to be. Cost implications impact on the ability of the RBS to engage with its ultimate investors and the number of shareholder engagement events it plans.

Issuers can only communicate with those who own shares via nominee, if the nominee agrees to send them a message. Nominees and platforms are concerned about sending messages as by doing so they may be offering financial advice. The simplest approach for them is often to do nothing.

The nominee system was set up in an age where saving the costs of printing and postage was important. This enabled issuers to save large costs. The costs of sending electronic reports via email is virtually zero. The nominee system is no longer needed to save costs.

Some companies may find it useful that ultimate investors do not receive annual reports, notice of meetings, attend meetings and ask questions. The nominee system effectively puts up a screen between Boards and ultimate investors. Boards who prefer secrecy and do not want to engage with their shareholders may see this as a benefit of the nominee system. We see it as a severe disadvantage and believe it has hindered good corporate governance and allowed directors to be remote and disengaged.

(2) What could be done to solve these problems?

In Appendix 2 we have set out an analysis of a number of different shareholding scenarios with an overview of the impact of each one on the ultimate shareholder's ability to vote. The aim of this analysis is to aid understanding of the impact that each scenario has on the ability to exercise voting rights by the ultimate investor.

Our preferred approach is implementation of the recommendation of the Kay Review: **for individual investors to hold their shares directly, in their own names, on an electronic register.** Much work has already been done to devise the means for this to happen, principally by the Registrars Group of the Institute of Chartered Secretaries & Administrators, resulting in what is known as the Industry Model. If enacted, this would replace share certificates with securely coded 'holder keys' to link shares with their owners and enable the owners to enjoy full shareholder rights. This approach would have the added benefit of supporting better corporate governance.

Our recommended approach - Name on Register

We believe a central principle of implementing a **disintermediated share ownership model**, and one which will also enable dematerialisation in the UK, must be the preservation of key elements of the existing share registration model for paper certification – albeit without the need for paper certificates. This would:

- Ensure that the ultimate investor's name was held on the register of members;
- Allow ultimate shareholders to enjoy full rights of share ownership (receiving communications from the company, attending AGMs / EGMs and voting);
- Ensure that the ultimate shareholders were not at risk of losing money as a result of administrative failings, malfeasance or bankruptcy of nominees.

- Prevent shares from being loaned to short-sellers without the ultimate shareholder's knowledge;
- Allow ultimate shareholders to write to or meet with company management whenever they chose in their capacity as a registered member;
- Allow the company to identify individual members, how long they had been members and the extent of their interest in the company;
- Enable the company to communicate more effectively with its ultimate owners
- Enable ultimate shareholders to communicate with other shareholder so as to better engage with directors of companies, to explain issues and other views than the Board and to requisition shareholder resolutions.

In addition to all these benefits, it would deliver on the efficiencies of maintaining all shareholding records in electronic form.

Under this proposal the intermediary (Broker / Platform / Nominee / Bank) simply becomes an agent acting on behalf of the ultimate shareholder. As the agent they would offer a range of services, as at present, which they would charge for as outlined in Figure 2 below.

We envisage the following high-level structure:

1. The issuer's register of members would continue to comprise two distinct components:
    a. The Direct Record, and
    b. The Operator Record (CREST).

2. The Direct Record would be an electronic equivalent of the current certificated part of the Register for shares held in paper form. The only difference would be that all paper records would become an electronic book entry. The Direct Record would continue in its current electronic form, as administered by Euroclear UK and Ireland, with full legal title as part of the total register of members.

3. The Operator Record would have the ultimate investor as the member. The platform/nominee/Crest member could also be shown on the Operator Record of the register.

4. The issuer would continue to have ultimate responsibility under UK company law for the whole register of members.

5. Shareholders would continue to have the option of holding their shares on either component of the register.

6. The shareholdings registered in both these components of the register will benefit from direct legal title, direct shareholder communications and direct exercise of shareholder rights whilst preserving a transparent ownership structure viewed as beneficial for engagement and corporate governance. Ultimate investors can opt out of receiving information and not vote if they so wish, but it will be their choice and they will no longer be blindly led to do so by platforms.

There are many ultimate investors who like the current system. We stress that they would see little change in the way their accounts are handled on a day to day basis.

- When they buy shares they will ,as now, ask their broker (platform) to buy the shares. Their platform will, as now, keep a record of the shares they have bought

and provide an online system so they can see their holdings when they wish. Their platform will inform the Crest system of the purchase.

- The Company will pay dividends to the platform, as now, who will keep a record of these.
- When the ultimate investor wants to sell the shares, he/she can, as now, ask the broker/platform to sell the shares. Their platform will, as now, keep a record of the shares they have sold and provide an online system so they can see their holdings when they wish. Their platform will inform the Crest system of the sale. The ultimate investor will have a new option that he/she can ask another broker to sell his/her shares.
- All the other services that the platform offers will look very similar to now. The ultimate investor will see little difference. He/she will continue to get regular reports and emails from his platform, depending on the settings he/she has set up for these.

Thus the platforms will continue to operate largely as now. The main difference is that the ultimate investor will own the shares and not the nominee.

Corporate Actions: The administration of corporate actions in terms of information flows and instruction flows would remain largely unchanged. Registrars could send the information directly to ultimate investors and ultimate investors could vote directly with the Registrar (Using their voting system) or via their Platform (using their system). Each ultimate investor would have a PIN so avoid any possible double voting. (Votes could be registered by PIN, via Registrar, Platform or other source and date-stamped. This would stop any problems of over-voting, which are said to occur in the current system.)

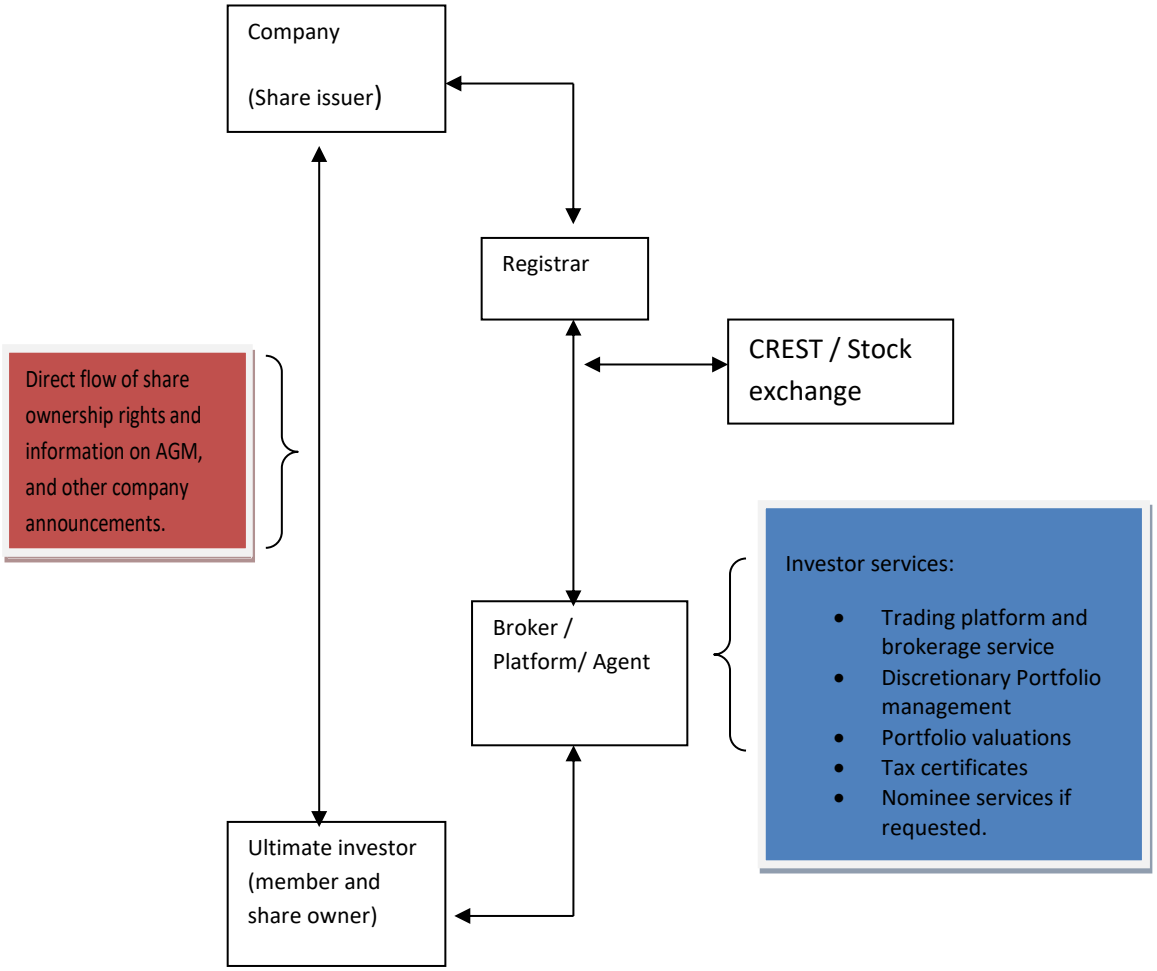
A diagram of this model is shown overleaf.

The current computerised processes mirror the old days of paper settlement. It is time for a new approach based on the administrative streamlining that modern technology can offer, with a simple ownership model directly linking companies and their ultimate investors.

Ultimate investors' will still need the services of brokers and platform providers. However, as is currently the case, these are essentially administrative services which can be bought and paid for on a menu basis. These might include:

- Normal brokerage services for buying and selling
- Custodian services
- Regular portfolio valuation services
- Provision of annual certificates of dividend income and tax paid
- Nominee services (some may still want this) particularly those who want the ease and convenience of a 'discretionary' service from their broker or advisor.
- Research notes
- Voting advice

Figure 2: Name on Register Model



The separation of services from ownership will free investors from being tied to a single agent (a problem they face at present with the chosen nominee) and will promote competition. However, it would still leave brokers and others free to derive the same sort of income as now by selling a range of support services to investors on a pick-and-mix 'menu' basis.

Our recommended approach will also significantly reduce costs. The current processes require large amounts of regulation. Much of this regulation could be swept away, thus saving very significant costs.

Issuers and registrars will also benefit from being able to see the audit trail of those who have voted.

Other possible options are discussed below in the response to Q2. Whilst workable, these all have drawbacks in comparison to the solution described above.

2. **Are there particular systems or models of holding intermediated securities which could better facilitate the passing back of direct rights for ultimate investors?**

   If so, what are the current obstacles to the use of such systems?

   Option 1: Our preferred approach: ultimate investor is the member, as outlined in the response to Question 1 above.

   This would give every beneficial owner (i.e. ultimate investor) of a company's shares the legal right to have his or her name and address on the register as the member, and hence to enjoy all the rights given to members by the Companies Act. This approach – 'Name on Register' – is the one favoured by the Kay Review of UK Equity Markets. It is also the solution proposed by the Registrars' Group to deal with the requirement for dematerialisation of paper share-certificated by 2023.

   Under this proposal the intermediary (Broker / Platform / Nominee / Bank) simply becomes an agent acting on behalf of the ultimate investor. As the agent they would offer a range of services, as at present, which they would charge for as outlined in the response to Question 1 above.

   The Registrar would have all the information necessary to send the information directly to the ultimate investor.

   Registrars could send the information directly to ultimate investors and ultimate investors could vote directly with the Registrar (using their voting system) or via their Platform (using their system). Each ultimate investor would have a PIN so avoid any possible double voting. Votes could be registered by PIN, via Registrar, Platform or other source and date stamped. This would stop any problems of over-voting, which are said to occur in the current system.

   Option 2: A change in the Companies Act requiring nominees, by default, to pass Part 9 rights to the ultimate investors.

   Currently, Part 9 of CA 2006 makes the passing of rights **optional.** The rights include:

   - notification of annual report and other normal shareholder communications
   - attending AGMs / EGMs.
   - voting rights.

   Currently, the legal rights of ultimate investors are subject to the terms and conditions of the platform through which the investors buys, holds and sells his or her (interests in) shares. Even where the investor may think that they have agreed such rights with the nominee, the terms and conditions are always subject to change. Thus, it is possible that the ultimate investor sees his or her ownership rights reduced, with very little scope to do anything about it short of changing provider, which may be a slow and cumbersome exercise.

   It is already a requirement under existing ISA rules that shareholders should be able to request the normal rights of share ownership such as the right to attend AGMs and vote their shares. However, nominees rarely make it clear that this is the case. For an example see our answer to question 1. Our experience is that when asked about this, platforms usually imply that they are making a special concession.

The rules are silent on whether a nominee can charge extra for agreeing to meet this basic requirement. It is our view that the ultimate investor should not have to pay to exercise his / her shareholder rights.

A change to require shareholder rights to be passed to the ultimate investor can be effected through minimal revision of sections 145-153 of the Companies Act 2006. Such change would, in our view, significantly increase the tendency of ultimate investors to vote their shares.

However, there are a number of potential actual or potential shortcomings inherent in this option:

- This approach does not resolve the Beaufort problems of ensuring that the ultimate shareholders' assets are fully ring-fenced in an insolvency.

- It does not resolve the one-member-one-vote problem in a scheme of arrangement where, as in the case of Unilever, nominees holding shares on behalf of many thousands of small investors had only one vote.

- It does not ensure that ultimate investors enjoy ALL the rights and remedies available to members of a company under CA2006.

- Part 9 does not apply to AIM companies. Further changes would be needed to make this option work for AIM listed companies. In practice we do not see any difference in the way platforms operate Part 9 type information rights and voting for AIM companies. We have discussed this issue with LSE AIM executives and they, like us, would prefer, in principle, the same shareholder rights for AIM companies that apply to main market companies via Part 9 of CA 2006.

Option 3: Nominee shareholders to be required to pass underlying account details to registrars.

Each day the nominee would be required to lodge with the registrars details of their underlying account structures and associated details (Name, PIN, postal and email addresses, numbers of shares held etc.). The registrar would then have a fully up to date record of beneficial share ownership.

This would enable voting up until the very last moment and abolish the current somewhat arbitrary cut off periods for voting.

Such a system would enable registrars to send issuer communications directly to ultimate investors who had not opted out of receiving such communications (not the presumption throughout this response that company communications should, by default, be sent electronically to the ultimate investor unless that investor has actively opted out of receiving such communications).

Giving this communication role to registrars will work better than relying on platforms to do it and will better facilitate participation by ultimate investors in corporate governance, e.g. takeovers, where for example there was, we believe, a low participation by individual investors in the GKN takeover vote.

This option addresses the Beaufort reconciliation issues (and associated Administrator costs) by ensuring that a reconciled nominee sub-account structure is available to the registrar each day. It also shortens the two-way communication chain between companies and their ultimate investors.

Option 2 and Option 3 could be done in combination.

3. **Do you consider that the type of vote affects the extent to which ultimate investors can exercise voting rights?**

   If so, do you have examples, or specific evidence, of this issue?

   Yes. But it does depend on whether the individual investor receives information rights. If the ultimate investor **chooses to receive** information rights from his nominee, he / she will receive information on votes. If the ultimate investor **chooses not to receive** information rights, then they will be dependent on the media and other sources for finding out about upcoming votes. If it is a low profile vote they are likely to remain unaware of it. A takeover of a bigger company would make it more likely the ultimate investor could exercise their voting rights. Examples include the GKN/Melrose takeover, the takeover of Laxey brothers.

   The case of the GKN/ Melrose raises a further issue about the type of vote. In the case of investors voting on a takeover, many private investors may not make up their minds until the last minute – partly because they may be relying heavily on media comment and want to wait as long as possible to gather and consider as much information as possible. As described in the answer to Question 5 below, the requirement to lodge votes well before an EGM becomes a significant problem in this situation.

   For example, Chris Spencer Phillips (a Director of ShareSoc) complains regularly that Hargreaves Lansdown don't advise him of upcoming AGMs (despite being asked), so he is deprived of information rights.

   The Eckerle case is also relevant to this question. Section 98 of the Companies Act 2006 provides that an application can be made to cancel the resolution for re-registration by the holders of not less than 5% in aggregate of the nominal value of the company's issued share capital.

   This is an important protection for minority shareholders, particularly of listed companies, where re-registration removes the liquid market for, and restricts the transferability of, their shares.

   However, the application may not be made by a person who has consented to, or voted in favour of, the resolution.

   Indirect investors cannot, themselves, bring an application to cancel the re-registration of a public limited company to a private limited company. The registered holder of the shares may be able to bring the application under section 98 on the direction of the investor, but as is often the case in nominee arrangements where shares are held on behalf of a number of different investors, the registered holder would not be able to make the application if it has

voted both for the re-registration on behalf of some investors and against it on behalf of others.

Special resolutions require a 75% majority whilst Ordinary resolutions require only more than 50% of those voting. The difficulties and obstacles for ultimate investors to vote make it easier for companies to secure a 75% majority than it should be. If it were easier for ultimate investors to vote, companies would have to pay more attention to shareholders who are ultimate investors. We believe this would lead to better engagement, fewer disengaged Boards and better corporate governance.

Companies try to make items ordinary resolutions when they are arguably special resolutions. This makes it easier to get a resolution passed.

The requirement in the Corporate Governance Code to consult with shareholders if more than 20% of shareholders (who vote) vote against is useful, but is a regulatory "solution" rather than one with the force of law.

The requirements in the Corporate Governance Code to consult with shareholders if more than 20% of shareholders (who vote) vote against, and the 75% majority for a Special Resolution would be much more powerful if more individual shareholders voted and if it were easier for individual shareholders to vote.

4. Do you consider that it is difficult for ultimate investors to obtain confirmation that their votes have been received and/or counted?
If so:

(1) What is the impact of this?

Yes, it is difficult. The impact is that the voting process is potentially undemocratic. Voting in a General Election would not be permitted, using the same processes at voting at a company AGM. One is not sure if one's votes have been counted, or if others have voted twice. Shares that have been sold close to the AGM are a particular concern. As are shares that are subject to short contracts.

Currently votes have to be cast 48 hours before an AGM. It is a huge challenge to rewrite systems involving cross border issues.

(2) Do you have examples, or specific evidence, of difficulties experienced by ultimate investors in confirming that their votes have been received and/or counted?

Cliff Weight, ShareSoc Director reports "I wrote to the company secretary of GKN asking him to confirm that my votes had been received. I did not receive a reply. My shares (I should say interest in shares) were held via Interactive Investors Nominees (Europe) Ltd."

Roger Lawson, ShareSoc member and former Chairman reports "I have attended General Meetings of companies in the past where investors challenged the votes cast, i.e. claimed that their votes had not been recorded based on the numbers of

proxy votes submitted for or against resolutions. I have also attended meetings where my own votes appeared not to have been recorded for reasons unknown. Querying this with the registrar does not necessarily assist because they simply claim to have no record of receiving the proxy voting instruction."

(3) What could be done to solve these problems?

When nobody knows who owns the shares and who is on the register it is impossible to confirm that all votes are valid. The current systems need to be changed so that the voting system includes, as a minimum, details of the nominee and the ultimate investor. However, the company would still have to rely on information provided by the platforms to be sure that votes were valid.

Our preferred solution, as described in our answer to Question 1, would ensure that the name of the ultimate investor appeared on the register of members and, as such, would solve the vote trail issue.

5. Do you consider that the rules and practical arrangements relating to the timing of voting affect the ability of ultimate investors to vote?

Yes.

If so:

(1) Do you have examples, or specific evidence, of these problems?

Sometimes ultimate investors do not make up their minds on how to vote until the day before or the day of the vote or even at the AGM if they attend. Press commentary tends to be very last minute. However, it can take up to 5 days to get a proxy enabling an ultimate investor to attend an AGM and hence vote at an AGM.

Examples include:

- GKN when the takeover was in doubt up to the very last moment and even at the E.G.M. Retail investors had to lodge their votes some time before the EGM.
- Albion Venture Capital Trust, where delays in getting hold of the register meant that information could not be sent (by the group of shareholders who were objecting to management's proposals) to other shareholders in time for them to amend their vote instructions.

(2) What could be done to solve these problems?

Amending current systems would be hugely complex and require additional layers of regulation.

What is required is a much simpler system. Our preferred solution as described in the response to Question 1 would enable real time information on who was a shareholder. It would be the electronic equivalent of carrying a paper share certificate!

This is a huge simplification of the existing intermediation chain, which will have great benefit. It will significantly reduce costs. The current processes require large amounts of regulation. Much of this regulation could be swept away, thus saving very significant costs.

Option 2, in our response to Question 2, could partially help this issue, but is not our preferred option as it has a number of inherent drawbacks.

Option 3 in our response to Question 2 deals with some of the drawbacks but still leaves others unresolved.

6. **Do you consider that there are aspects of proxy voting which may affect the rights of ultimate investors in the context of an intermediated securities chain?**
   If so:

   (1) Do you have examples, or specific evidence, of these problems?

   It is important to distinguish when a member appoints the Chairman or another person as their proxy and when an institutional asset owner appoints a proxy voting agent to vote their shares.

   We will only comment on the former. The main problem we see and which you have identified in the Call for Evidence is the timing of when the voting instruction/ notice to the proxy must be given. These problems result from the unnecessarily complex intermediated securities chain as shown in Para 1.28 of the Call for Evidence

   We are told that Brewin Dolphin votes the shares they own, even if no instruction has been given by those owning the interest in shares. However, it is our understanding that most platforms do not vote the shares of the ultimate investor unless they are instructed to do so in a particular way.

   As mentioned in the response to Question 1, the Hargreaves Lansdown terms and conditions, which are fairly typical, run to approximately 14,000 words. Hence it is difficult for the individual investor to know precisely what their rights are and whether or not they are even negotiable.

   2) What could be done to solve these problems?

   Our proposal which would put the name of the ultimate investor on the shareholder register would enable real time information on who was shown as a shareholder on the Register of Members. It would be the modern electronic equivalent of holding a paper share certificate.

7. **Do you consider that the headcount test in section 899 of the Companies Act 2006 has the potential to cause problems in the context of intermediated securities? In what way?**
   If so:

(1) Do you have examples, or specific evidence, of problems arising out of the application of section 899 of the Companies Act 2006 to intermediated securities?

Yes. Unilever provides a recent good example. The call for evidence summarises the issue about the headcount test very well.

RBS might have been an example when we submitted over 100 requisition forms for a shareholder resolution. However, this was not finally tested as we submitted over 150 forms to avoid this issue, including many who hold their shares via paper certificates (see question 20 also as that impacts on this question/issue).

(2.) What could be done to solve these problems?

Either change the wording of S899 to refer to ultimate investors, or change the definition of member to be the ultimate investor.

8. **Do you consider that, in practice, the no look through principle may restrict the rights of ultimate investors who wish to bring an action against an issuing company or intermediary? If so:**

(1) Do you have examples, or specific evidence, of problems caused by the no look through principle?

Yes. The Caparo case relates to duty of care by auditor. However, it should be remembered that:

- The company is the preparer of the accounts and also owes the shareholders some duty of care in ensuring that the accounts are not prepared in a way that is misleading (deliberately or otherwise);
- The auditors are ultimately appointed by the members and are there to look after their interests.

It is primarily the responsibility of the company to ensure that the accounts accurately reflect the financial soundness of the organisation. If they don't it seems fair that the investors should be able to bring an action against the company or its directors and, if appropriate, the auditors. This would be true for the situation at Carillion and Thomas Cook. The problem we have at present is that the members are the nominees. As it is not their money that is at stake they have little interest in pursuing a claim. This is what John Kay has identified as the problem of 'Other people's money'.

Other obvious examples include Beaufort and SVS Securities. We have shown a more comprehensive analysis of recent cases in which there have been problems in Appendix 1.

(2) What could be done to solve these problems?

The best solution would be to change the definition of the 'member' to be the ultimate investor. Rather than propose further changes to the rules surrounding privity of contract it would be far easier to make the ultimate investor the member

and thereby establish a direct relationship between the ultimate investor and the company and its advisors.

9. In practice, what, if any, are the benefits of the no look through principle?

It may stop a large number of cases being submitted by ultimate investors. The no-look-through principle requires the nominee to launch the claim and nominees tend to be less willing to initiate claims than individuals. This may be a benefit for issuers. However, any benefits need to be counterbalanced by the reduced accountability of directors who know they are less likely to be sued. Another balancing factor is the public perception of the difficulty of getting redress/holding directors to account and the perceived closeness of the platforms and companies.

It seems that there are no benefits to the ultimate investor. All it does is to reduce transparency. Any benefits all accrue to the 'agents' of the end investor because (or so it appears) under privity of contract each party in the chain of intermediated share ownership can only sue or be sued by the party with whom they have a direct relationship. Thus the no-look-through principle protects others within the chain. This is attractive for the investment industry participants but not for customers (the ultimate investor) whose rights of redress are severely curtailed.

Thus auditors cannot be sued by ultimate investors for any failure over duty of care as exemplified by the Caparo case. Similarly, investors whose shares are held in nominee accounts cannot bring any claim against a company (or its directors) in which they have invested. In practice we are doubtful about the merits of shareholders suing companies in which they have invested for the simple reason that, as shareholders, they are ultimately suing themselves. However, the mere fact that they had the power to bring an action against the company could act as a reminder to directors that they needed to maintain the highest standards of governance. The ability to bring action against the directors themselves would add real weight to the power of the ultimate investors.

10. Do you consider that the regulatory regime alone is sufficient to address the risk?

No. It failed in the Beaufort Case. PWC wanted £100 million to resolve the administration. This amount was egregious and was negotiated down. However, it would be far less if the ownership of shares were clear. Our proposal of the member being the ultimate investor (as described in the response to Question 1) resolves most of the risks as it is immediately clear that the intermediary does not own the shares. They merely have a contractual agreement with someone else in the chain to provide a service. If it is clear that the ultimate investor is the member there can be no reasonable claim that the shares are the property of the intermediary.

Beaufort is not an isolated case. SVS and Reyker are more recent cases: all of which typify the pernicious circle of crisis inherent in the current regulation, namely:

- the FCA identifies a problem with an intermediary;
- the FCA intervenes and stops the intermediary taking in new money (as per regulatory requirement);
- as a result, the intermediary fails leaving existing investors high and dry and

unable to access their assets.

11. Do you consider that there is merit in our reviewing the consequences of insolvency in an intermediated securities chain from a legal, as opposed to regulatory, perspective?

Yes.

12. Do you consider that the insolvency of an intermediary in an intermediated securities chain has the potential to cause problems? In what way?
If so:

(1) Do you have examples, or specific evidence, of problems arising out of the insolvency of an intermediary in an intermediated securities chain?

Yes: Beaufort, SVS and Reyker are very good recent examples. In these cases income from portfolios owned by ultimate investors ceased, which may have caused hardship in some cases, until assets were restored. In addition, ultimate investors were not able to participate in corporate actions that took place whilst their assets were under the control of administrators. Had those assets been directly registered, then no question over ownership would have arisen.

(**2) What could be done to solve these problems?**

The Special Administration Regime needs overhaul to ensure that assets held in nominee structures are protected from egregious Administrator process and charges. The options recommended herein will mitigate the issue, and our preferred solution of name on register would overcome this problem entirely. There nevertheless needs to be better investor protection, likely via a full indemnification by the FSCS.

In the cases highlighted it is our view that the FCA should have acted sooner. However, this is easier said than done. As described above, even when applied it can bring other problems in its wake. This is the curse of the regulatory model. – as described in our answer to Q. 10 above.

13. Do you consider that there is uncertainty about how assets would be distributed in the event of an intermediary's insolvency? If so, how could this uncertainty be resolved?

Yes, there currently is uncertainly – as clearly exemplified in the Beaufort case.

The outcome of recent Special Administrations has not resulted in significant losses to ultimate investors, but a positive outcome relies on creditor activism, FSCS compliance and the behaviour of the Administrator. Such positive outcomes are far from guaranteed in the future.

This uncertainty would be resolved by having clear title of ownership, by making the ultimate investor the member.

14. Do you consider that there is a need for better education of ultimate investors about the risks of an intermediary's insolvency, and a better awareness about the application of the Financial Services Compensation Scheme?

What could be done to reduce the exposure of ultimate investors in the event of an intermediary's insolvency?

Re. 2.63: The problem should not exist. It exists because of an unnecessarily complex chain of intermediaries and relationships. The issues surrounding the risk of loss to investors in nominee accounts is not entirely straightforward. For example, investments held by the nominee on behalf of the beneficial owner are supposed to be 'ring fenced' in the event of the bankruptcy of the nominee. This was one of the reasons why the Beaufort case caused a storm of protest. When Beaufort went into receivership, PwC were appointed as receivers and estimated that the costs of receivership to be about £100m. As there were insufficient funds within Beaufort to cover this, it was then suggested that the (substantial) shortfall could be covered by accessing the funds of the beneficial shareholders. Regardless of the rights or wrongs of this, it was not what private investors had been led to believe with regard to the security of their own assets with Beaufort.

Private investors funds *are* at risk in cases of malfeasance – for example, if the nominee uses their funds fraudulently and loses the money. It is also our understanding that investors money is at risk if the nominee's record keeping is so poor that it is unable to provide a proper account of who owns what assets and of the value of the assets. This may seem like an unlikely scenario. However, any firm whose systems are open to hacking or cyber-attack is at risk of major loss or catastrophic corruption of records.

The idea of 'educating' investors about these risks is, in our view, seriously inappropriate because:

- It fails to deal with the root problem; **the aim should be to reduce or eliminate the risk of loss – not just tell investors about it**, particularly when they remain powerless to do much about it.
- There is a real risk that it could deter many people from investing at all. There are already far too many people who steer well clear of investing in shares because they believe (usually wrongly) that any form of stock market investment is extremely risky. **The last thing that is needed is 'education' aimed at convincing them that investing is even more risky than they thought.**

One option would be to consider providing further regulation around the way in which nominee accounts work. However, as indicated elsewhere, we believe that there is already too much regulation. Those so minded to, in the financial services industry, will always find was around regulation, as has been shown to be the case, e.g. with consumer exploitation following the introduction of pensions freedoms and, separately, Mr Woodford's manipulation of the rules on liquidity within his funds.

Re. 2.64 We need a simple system where the ultimate investor is the member. Any other attempt to try to achieve this goal by modifying the existing system will generate even more complexity and more regulation. More regulation means more cost and a higher cost of capital for business.

Our proposed solution is to make the ultimate investor the member.

15. **Do you consider that the application of a right to set off has the potential to cause problems in the context of an intermediated securities chain?**
If so:

(1) Do you have examples, or specific evidence, of such problems?

(2) What could be done to solve these problems?

Definitely. Assets held in safe custody must be fully ring-fenced for the benefit of ultimate investors. Confidence in the system depends on this.

16. **Do you consider that the disparity in the way that purchasers of directly held securities and intermediated securities are protected by law has the potential to cause problems?**
If so:

(1) Do you have examples, or specific evidence, of such problems?

(2) What could be done to solve these problems?

This question relates to fast paced securities transactions. We are not experts in this area and are unable to comment meaningfully in response to this question

17. **Do you consider that the application of section 53(1)(c) of the Law of Property Act 1925 has the potential to cause problems in the context of an intermediated securities chain?**
If so:

(1) Do you have examples, or specific evidence, of such problems?

(2) What could be done to solve these problems?

In respect of shares, this problem should cease to exist if the member is the ultimate investor.

18. **Do you consider that distributed ledger technology has the potential to facilitate the exercise of shareholders' rights and, if so, in what way? What are the obstacles to adoption of this technology?**

Are there any other jurisdictions we should look to as examples?

Yes. As to obstacles, we are not experts in this area and do not wish to comment on

this question.

We suggest you look at Australia who are many years ahead of the UK in this area. We have commented further on the Australian system in our answer to Question 24.

19. We welcome consultees' views on, and any evidence of, ways in which technology in general might be able to solve problems in the context of an intermediated securities chain.

Simply applying technology to a system which is flawed, partly due to its inherent complexity, will not resolve fundamental problems. It is not only technology, but also the way the system is structured. Technology, such as distributed ledger, may lead to technological disruption and hence a much-improved service to shareholders (who are the customers in this case), both in terms of the services and cost. However, a complex system will remain complex regardless of whether it is supported by technological enablement. The aim must be to use technology to enable a significantly simplified system.

A better question to ask is *how might the chain be restructured to simplify it and eliminate many of the current problems*? The answer to this is through a simpler ownership model of the ultimate investor owning the shares and being the member (i.e. shareholder). Other persons in the current chain then provide services to the company or the member as described in the model set out in our answer to Question 1.

This would be a huge simplification of the existing intermediation chain, which will have great benefit. It will significantly reduce costs. The current processes require large amounts of regulation. Much of this regulation could be swept away, thus saving very significant costs.

20. Has the market started to prepare for the dematerialisation that would be required under CSDR? If so, what steps have been taken and by whom?

The EU wanted to begin abolishing paper share certificates in January 2018. Thanks to George Osborne and his Treasury team, it was put back to January 2023, but is now mandatory for all EU members. Britain is leaving the EU, but we should still harmonise with the EU on this point.

By January 2023, dematerialisation will apply to all new share issues, in theory leaving conversion of existing shares until January 2025, **but in practice this may not be possible**. As new share issues include placings, open offers and rights issues, the changes may actually be applied simultaneously to avoid problems arising from mixed holdings. Dematerialisation may come sooner than expected: a Treasury consultation document in September 2017 stated, "*there may be a case for bringing dematerialisation forward*." There is indeed, but only if the method chosen gives priority to the needs of private investors.

Significant work has been done by the Registrars Group of the Institute of Chartered Secretaries & Administrators, resulting in what is known as the Industry Model. If enacted, this would replace share certificates with securely coded 'holder keys' to link shares with their owners and enable the owners to enjoy full shareholder rights.

Our own preferred approach to reforming the current nominee system of share ownership is heavily influenced by the proposals made by the Registrars Group. It is a solution which meets the needs of dematerialisation and provides a way of reforming the current 'nominee model' so that the ultimate investor becomes the member, thereby removing layers of intermediaries from the share-ownership chain.

What will be the consequences of dematerialisation?

The consequences very much depend on how the UK government chooses to implement dematerialisation. It can choose to reinvigorate the concept of private share ownership, thus restoring and strengthening the active link that previously existed between the owners of a business and its managers. Or it can succumb to the commercial interests of intermediaries and remove forever the right of individuals to own company shares, forcing them to use nominees instead.

The issue is not the loss of paper certificates. The issue is how to ensure that private individuals can continue to own company shares.

It is already the case that many private investors are not the owners of the shares they have paid for, because they are held by nominees. This currently makes the nominee the share owner, puts the nominee's name on the share register instead of the investor's and gives all Companies Act shareholder rights to the nominee, not to the investor. Hargreaves Lansdown, for example, may be the biggest shareholder on a company's register even though none of its own money is at stake. Some think the CSDR should be implemented by requiring all shares to be held by nominees alone.

The much better alternative, for investors and for the companies they invest in, with progressive benefits for society in general because of improved corporate governance, is for individual investors to hold their shares electronically in their own names. Much work has been done to devise the means for this to happen, principally by the Registrars Group of the Institute of Chartered Secretaries & Administrators, resulting in what is known as the Industry Model. If enacted, this would replace share certificates with securely coded 'holder keys' to link shares with their owners and enable the owners to enjoy full shareholder rights. The objective, as defined in the Kay Review of UK equity markets, commissioned by the coalition government, is to find *"the most cost-effective means for individual investors to hold shares directly on an electronic register."*

The government could go further. In addition to preserving current share ownership, it could use dematerialisation to give full shareholder rights as well to all those who choose to use a nominee service, by making the nominee secondary to the investor, instead of the other way around, as at present.

The changes are a consequence of the EU's Central Securities Depositories Regulation (CSDR), number 909/2014. It requires all shareholdings to be held in what is called 'book-entry' form, either via an authorised Central Securities Depository participant or using an alternative dematerialised holding method.

Dematerialisation provides the opportunity to do more
It is time Parliament confronted the damage that has been done by the now

widespread but still increasing appearance of nominees on company share registers, allowed by the law to be owners of the shares and therefore of companies, despite having no financial interest in them.(The ownerless corporations – with all its governance as stewardship shortcomings) The use of nominees has taken ownership responsibilities away from the individuals whose money is at stake and given it to those who have no financial interest in exercising such responsibilities. The oversight of companies is left to the financial services industry, which then gets berated because it doesn't behave like owners. Of course, it doesn't. It won't. Look no further than the Persimmon scandal (or WPP) for proof. We can give numerous other examples if you wish.

There is another ***very*** *serious consequence*. By steering investors into nominee accounts, their money and investments are put at additional risk (e.g. £100 million in the case of Beaufort). The compensation available, should the nominee default, is minimal and hard to get. To protect investors from the risk of such default, the EU and our own regulators have been piling on the rules, the latest source being the EU's Directive known as Mifid II; according to the Financial Times, this has more than 1.7 million paragraphs of requirements. Investors already face page after page of conditions though – in Hargreaves Lansdown's case totalling 14,000 words.

Buying and selling shares are one-off transactions, for which investors should have a free choice of agent and one-off costs. Leaving them instead to be held by a nominee requires a continuing relationship which is necessarily governed by regulations and restrictions for which ultimately the investor must pay. A nominee account may come with side benefits, attractive to some, but no private investor should be obliged by law to surrender full legal ownership of the shares he or she buys **and find them subjected to onerous conditions**.[3]

The Companies Act must be amended, to give every investor who uses his or her own money to buy particular company shares the right to have his or her name and address on the company's share register as the legal shareholder, regardless of how the shares were acquired. It is not good enough, as some suggest, simply to add the investor's name to the nominee's in order to 'designate' the account. Rather than continue to regard the nominee as the shareholder, the investor must become the principal, with the nominee merely the agent. The role of a nominee should be to service investors, not to usurp them. **For private investors, this must become the law.**

Dematerialisation requires this right to be preserved for existing paper certificated shareholders. It is an opportunity to provide the same benefit for all shareholders, including those who currently hold "interests in" shares via nominees.

3 The FCA has sought to address this by numerous consultations, nudges and regulations. E.g. Platforms consultation, CP19/12 https://www.fca.org.uk/publications/consultation-papers/cp19-12-consultation-investment-platforms-market-study-remedies and MS17/01 https://www.fca.org.uk/publications/market-studies/ms17-1-investment-platforms-market-study
We argue this is the wrong approach and leads to unnecessary and expensive regulation, rather than freeing up the market to compete and having a market solution.

21. Are there approaches in relation to dematerialisation in the context of CSDR which could be applied to the ultimate investors in an intermediated chain to provide ultimate investors with the same or similar rights as direct shareholders?

Yes. This is one of the most critical questions in the consultation, and we are delighted you have asked it.

The best and most simple answer is to apply the same approach to dematerialisation to ultimate investors in the current intermediated chain, i.e. the member becomes the ultimate investor who has a direct link to the company. Other intermediaries have their own contractual arrangements with either the company or member (I.e. ultimate investor) or both), see our answers to Q20, Q1 and other questions.

22. Are there concerns about imposing dematerialisation on long-time shareholders currently holding paper certificates, when they may not be confident users of technology?

It is true that many long-term shareholders are emotionally attached to their paper certificates. However, they are likely to get used to it and welcome it if they can see that it is easy to use and brings them benefits. There are numerous parallels, such as contactless pay versus banknotes; TV licences and vehicle Road Tax and email for routine communications.

We are doubtful whether there is really a link between a preference for paper and lack of personal confidence with using technology. In our experience people who hold paper share certificates and who want to receive dividend cheques in the post elect for these options because it gives them reassurance and certainty. By way of example, we have had members who have contacted us complaining that some companies are pushing them to accept dividend payments directly into their bank account rather than by cheque. It is notable that these communications from members are invariably by email. This tends to confirm that resistance to change is not related to concerns about their ability to use technology.

Certificates. Continued use of paper is something that we want to discourage. We would very much like to see a system of dematerialisation introduced which we can readily support and encourage all our members to adopt.

ShareSoc-UKSA (whose mission is to champion and empower individual investors) are strongly supportive of this change and, the fact that we are, will give added weight to the Government's argument for this change, were it to make it.

At present, the only practical alternative to paper certificates for individual investors to hold shares directly, as members of their investee companies, is the personal CREST account. Unfortunately, very few intermediaries offer such accounts and those that do have recently imposed very substantial charges for operating those accounts. Unless Option 1 is implemented, certificate holders will have no practical/economical alternative that affords them the same rights that they currently enjoy.

We have surveyed companies about the numbers of annual reports that they send

out. This information was extremely difficult to obtain which is why our sample size is so small. We recommend the Law Commission obtain more information. With the proviso about small sample sizes, we note that:

Company	No of Members	Hard copy	Email	Website
M&S	150,000	3,200	33,000	113,800
		2%	22%	76%
LandSec	9,968	754	1,924	7,290
		8%	19%	73%
National Grid	707,506	5,482	102,644	599,380
		1%	15%	85%

Website means that the shareholder has not chosen either hard copy or email and has been given the default that they have to locate and download the annual report and AGM docs on the internet if they wish to read it.

23. We welcome comments from consultees as to whether there are aspects of the law of the devolved jurisdictions which we should be aware of given the work we propose in relation to intermediated securities.

We are not aware of any concerns. However, we are not experts in the law of devolved jurisdictions.

24. What other jurisdictions should we consider and why?

We are in contact with our sister organisations in other countries, Better Finance (the pan EU group representing investors) and the World Federation of Investors. There is much to be learnt from other jurisdictions. We think the Australian model is worthwhile you look at, in particular.

Australian listed companies obtain a high level of transparency of their shareholders by international standards. This is attributable to the structure of direct legal title at the CSD, CHESS, as well as the legal rights of listed companies to obtain disclosure of their beneficial owners.

Holdings in CHESS obtain direct legal title and are disclosed on the issuer's share register. Under Australian law, a share register is comprised of two sub-registers, which provide equal legal status to shareholders. These are the 'CHESS sub-register', operated by a subsidiary of the Australian Securities Exchange; and the 'Issuer Sponsored sub-register', operated by the issuer's share registrar[3]. The CHESS sub-register is reported to the issuer or their share registrar at the end of every business day, so that the total share register is updated and available for public inspection at the issuer's share registrar.

However, holdings in the UK CSD, CREST, are often held in either omnibus or segregated nominee accounts, where the investor is not immediately visible. While nominee holdings

are a feature of share registration in Australia, holdings in CHESS may also be held in 'broker sponsorship', where the share account is registered directly in the investor's name and a broker electronically controls the shareholding. This form of shareholding allows the investor to obtain direct legal title while allowing their broker to administer their account, and provides immediate transparency of ownership.

25. **We welcome suggestions from consultees as to other issues which arise in practice which should be included in our scoping study. For each issue, we would be grateful for the following information:**

(1) A summary of the problem.
(2) An explanation of and evidence of the effect of the problem in practice.
(**3) Suggestions as to what could be done to solve the problem, and any evidence of the costs and benefits of the solution.**

Issue 1. Selling shares held by nominee

(1) The problem is that the ultimate investor has to use the platform to sell the shares. His or her contract means that he only has an interest in shares, which are owned and held by the nominee. He or she cannot sell the shares via another broker/platform or the brokers services of a registrar, because he/she does not own the shares. This is anti-competitive.
(2) The evidence of this is in the FCA platforms study and the consultations and responses to the FCA.
(3) The solution is to make the ultimate investor the member and the register to contain the member's details and those of his agent (Crest member). He/she can then choose to sell via any broker he chooses who would inform the Crest register of the sale and changes needed to the register.
The costs of this change would be minimal as it is needed for dematerialisation. The benefits for individual investors would be huge as it would enable him to get the best broker service/costs. FSCS premiums would also be reduced as there would be no need for much of the cover in relation to the possibility of the platform going into liquidation

Issue 2: Short selling by nominees? This may be more an issue with pooled funds or OEICS than shares.

Issue 3: Placings and rights issues

(1) Brokers often arrange placings with selected investors. These tend to be institutional investors and other large investors. Retail investors are often excluded from these placings.

(2) Often the placings are at a discount. This dilutes the retail investor who does not have the opportunity to participate.

The intermediary chain via nominees adds time to the process and makes it difficult to make those involved insiders.

(3) Making the ultimate investor the member and putting his/her contact details on the register makes it much easier for brokers to communicate with potential investors in a placing and help to make it a more level playing

field.

Costs. Market cap of LSE > £2 trillion. Funds raised p.a. = £yy bn. Average discount zz%. Cost to retail shareholders =£ z*y p.a.

Issue 4: Rights Issues

It is difficult for companies to make contact with their retail shareholders. M&S contacted ShareSoc and UKSA to help them with their communications to shareholders. We suggest you contact M&S for further evidence of this problem.

It is less of a problem when rights are sold in the market and the shareholder is credited with this. But when there is no market in the rights the retail shareholder tends to suffer a loss. See for further information https://www.sharesoc.org/blog/company-news/rights-issues-open-offers-should-i-take-up-ms-and-egdon/

26. What are the benefits – financial or otherwise – of the current system of intermediation? What are the costs or disadvantages – are there any problems beyond those we have highlighted above?

We agree with your comments in para 2.112 of the Call for Evidence. We note:

1. For individual investors

There is no doubt that many private investors like the administrative convenience that the nominee system provides. However, there is no reason why the administrative services which nominees provide have to be inextricably 'bundled' with holding your shares in a nominee account. Providing platform services for buying and selling shares, regular portfolio valuations, receiving and accounting for dividend payment and providing an annual tax certificate are simply useful 'bolt-on' services which investors should be able to buy and pay for as they choose. Indeed, the bundling of these services into a single take-it or leave-it option leads to a lack of transparency over fees and charges.

We have summarised the main advantages and disadvantages below.

Benefits:
These include:

- low cost holding of shares (i.e. interests in shares)
- low cost buying and selling of shares (i.e. interests in shares)
- recording of share trades
- regular portfolio valuations (showing book cost and market price)
- administration of dividends
- administration of gains and losses for CGT purposes
- provision of an annual tax certificate
- access at any time to an up-to-date electronic portfolio analysis and valuation.

However, these benefits can all be preserved in the proposed model with the intermediary acting as the agent of the ultimate investor.

Disadvantages:

The costs of the current system are the high FSCS scheme costs, and the high exit costs of transferring shares from one provider to another.

Investors with more than £85,000 of investments are wise to use more than one provider. One of our members contracted to use the TD Waterhouse platform, but this was then sold to Interactive Investor, who are owned by a private equity firm with much less transparency of their liquidity and solvency, and who are much more thinly capitalised than TD Waterhouse.

Another was contracted with Alliance Trust, which had a billion pound plus parent. Their platform was then sold to Interactive Investor - again reducing the safety of the investors' investments in interests in shares. We are not intending to single out Interactive Investor for criticism. It just happens that one of the authors of this response is familiar with them. But it is a common problem in financial services, as exemplified by Prudential selling a £12bn annuities book to Rothesay, a company with limited track record (it was founded in 2007) and largely funded by private equity [Blackrock].

Individual Investors typically invest with a 20 to 30-year time horizon. They therefore want their platform provider to be safe and still in existence in 20 to 30 years' time. This is a very important issue which to date has not been given enough attention but has been brought to the fore by the Beaufort case.

This issue is broader than just Beaufort and Interactive Investor. 2 years ago, most would have assumed that Hargreaves Lansdown with a market cap of £9bn was as safe a provider as one could see. But today in the light of the Woodford scandal and knock on consequences, a risk analysis would consider the 7 black swan event possibilities and question even the security of the Hargreaves Lansdown platform. There is a huge disadvantage in the current system, one that can be easily overcome by making the owner of the shares the ultimate investor.

2. Benefits For Brokers/Platforms

Historically, the benefits were cost savings from not having to send out paper copies of annual reports and voting information. However, as noted above in our answer to Question 1, the technology we have today, such as the internet, email and pdf's of annual reports and other documents mean that the historic benefits will disappear under a modern system.

The current system makes it less easy to transfer interests in shares between platforms and hence reduces client churn and increases platform income. We suggest you ask the FCA and CMA whether this is anticompetitive and/or is of benefit to customers.

With reference to para 2.113 of the Call for Evidence, the simplicity of our proposal to enhance the rights of ultimate investors, (see answer to question 1), **will reduce**

complexity and expense in the chain.

3. For Registrars

We see little change for registrars. They will still have to maintain a register, although it may have more entries (i.e. more ultimate investors). On the other hand it will be easier to identify shareholders; and S793 requests, to discover who owns the shares in a nominee account, will decrease. They will also be able to email all shareholders (assuming it becomes a requirement to lodge one's email address on the register).

4. For Companies

Benefits:
The costs of printing and posting heavy annual reports on thick glossy paper are avoided, by the use of platforms who discourage or do not inform ultimate investors that they are entitled to receive paper copies.

Disadvantage:
Reduced interest and attendance at AGMs make the AGM easier to manage ,which **reduces the accountability of directors to its shareholders**.

27. What could be the benefits – financial or otherwise – of ensuring the availability of rights and remedies to the ultimate investor in an intermediated securities chain?

Costs of holding shares and buying and selling share would reduce as a result of removing the anti-competitive consequences of the current intermediated chain. Costs in the UK are higher than in the US. We would expect a 25% reduction over time, so as to be at a similar level to the US. Higher transaction costs lead to a higher cost of capital for UK businesses and hence less investment in jobs and business in the UK. (we note that lower transaction costs will be opposed by platforms as it will impact on their current profit margins.)

There would also be corporate governance benefits from better company engagement with individual investors, who tend to have a long-term focus. Much of the problems of governance have been because of the short-term focus of some (many) institutional investors and the fund managers who manage the assets of the asset owners. These have contributed to a string of bad acquisitions and disasters. Examples include:

- Lloyds – HBOS
- RBS – ABN AMRO
- Carillion
- Conviviality
- Patisserie Valerie (CAKE)
- Thomas Cook

28. What could be the costs – financial or otherwise – of ensuring the availability of rights and remedies to the ultimate investor in an intermediated securities chain?

The costs of replacing the intermediated securities chain with our proposed simpler model will be **minimal** as the work will already have been done for dematerialisation.

The costs of dematerialisation are necessary anyway and the proposed solution (from ICSA and others) will result in savings in the longer term and a better service for those who currently hold paper certificates.

The costs of alternative remedies, such as increased regulation, will be huge and will ultimately fall on the ultimate investor and so reduce the availability of capital for the London Stock Exchange and hence the cost of capital for companies listed on the UK market. This will lead to further companies leaving the market to move overseas or to move to the private equity ownership. This trend is already visible and **needs to be reversed.**

Peter Parry – Policy Director, UK Shareholders' Association

Cliff Weight – Policy Director, UK Individual Shareholders' Society

Appendix 1: Recent examples of shareholder protection and corporate governance issues caused by the current intermediated securities system.

Company	Issue
Beaufort	Investors did not own shares. Expensive liquidation and delays.
SVS Securities	Investors did not own shares. Expensive liquidation and delays.
Reyker Securities	Investors did not own shares. Expensive liquidation and delays
Unilever	Nominee held the shares of investors and counted as 1 member, not tens of thousands. Impacted scheme of arrangement.
Albion Venture Capital VCT	Campaign launched by ShareSoc to vote against directors and new management agreement. Impossible to find out names and addresses of ultimate investors who held their shares via nominee, in the timeframe available and with the available resources. Lack of email address on the shareholder register made it expensive to contact fellow shareholders and delayed delivery of message to shareholders.
Barclays Stockbrokers	Numerous issues re service levels to customers.
Globo	ShareSoc campaign was hampered by: Difficulties in finding out names and addresses of ultimate investors who held their shares via nominee, in the timeframe available and with the available resources. Lack of email address on the shareholder register made it expensive to contact fellow shareholders and delayed delivery of message to shareholders.
RBS	Campaign launched by ShareSoc to implement a shareholder committee. Impossible to find out names and addresses of ultimate investors who held their shares via (some) nominees, in the timeframe available and with the available resources. Lack of email address on the shareholder register made it expensive to contact fellow shareholders and delayed delivery of message to shareholders. Unclear if 100 members needed to requisition a shareholder resolution would include all private investors in a nominee or count 1 for each nominee.
GKN/Melrose takeover	52.4% of shareholders voted in favour of this takeover of this iconic UK plc GKN. However, it is unclear what % of retail shareholders voted or were aware of the importance of the vote as they held their shares via nominee.
the takeover of Laxey Partners	This 2008 High Court Case number involved counting nominees as one shareholder rather than the many that owned the interests in shares
Eckerle and Others v (1) Wickeder Westfalenstahl GmbH and (2) DNick Holding plc [2013] EWHC 68 (Ch)	In this notorious case the court was forced to rule that this reading of CA06 deprived the claimants (as indirect investors) of the sort of protection which those who formulated CA06 thought ought to be extended to minority shareholders (e.g. the ability to challenge a re-registration resolution). But he felt that there would need to be an extremely strong reason to override the orthodox understanding of company law.
Woodford	WPCT - Lack of email address on the shareholder register would have made it expensive to contact fellow shareholders and delayed delivery of message to other shareholders.

Appendix 2: How voting shares works in UK listed companies.

Below we describe 5 cases:

1. Individuals holding shares in paper certificated form.
2. Individuals holding shares via intermediaries (nominees) where they have no information rights
3. Individuals holding shares via intermediaries (nominees) where they have information rights
4. Individuals holding shares via discretionary fund manager (wealth manager)
5. Institutional Investors

1. Individuals holding shares in paper certificated form.

i. Registrar sends information to the member (i.e. the ultimate investor) and he/she sends back the form or votes online.
ii. The ultimate investor can elect to receive the information electronically.
iii. He/she can opt to vote in person at the AGM. To attend the AGM all the ultimate investor needs is the paper certificate and proof of identity.

2. Individuals holding shares via intermediaries (nominees) where they have no information rights or have elected to have no information rights.

i. Registrar sends information to the member (i.e. the nominee = Crest member)
ii. The Crest member does nothing more. It is entitled to vote the shares but custom and practice is not to vote the shares.
iii. The shares are not voted.

3. Individuals holding shares via intermediaries (nominees) where they have information rights

i. Registrar sends information to the member (i.e. the nominee = Crest member)
ii. The Crest member advisers the platform and the platform sends on the information to the ultimate investor.
iii. The ultimate investor receives the information (he/she may have to find it on the platform website), analyses it and decides if and how to vote.
iv. If he/she decides to vote, he/she completes the voting instruction on the platform website (if the platform does not have a system he/she may have to phone or otherwise contact the broker with his/her instructions)
v. The platform collates the voting instructions and sends the voting instruction to the Crest member who owns the shares and the Crest Member sends the instruction (most often to Broadridge) who then send it to the Registrar.
vi. The Registrar does not know which ultimate investors have voted and which have not. There is no audit trail to prove that voting instructions have been followed. This process would not be acceptable in the UK for a General Election!

4. Individuals holding shares via discretionary fund manager (wealth manager)

i. Registrar sends information to the member (i.e. the nominee = Crest member)
ii. The Crest member advisers the discretionary fund manager (wealth manager).
iii. The discretionary fund manager (wealth manager) may talk to the investor whose fund he is managing on a discretionary basis. In respect of voting shares

it is unlike to talk to the investor unless it is a highly contentious case (e.g. GKN takeover).

iv. Most times, the discretionary fund manager (wealth manager) looks at the information, considers the house view if there is one, analyses the issues and decides if and how to vote.

v. If he/she decides to vote he will tell his admin team how wants x shares to be voted and they collate the voting instructions made on behalf of all their clients' investments.

vi. The Admin team of the discretionary fund manager (wealth manager) collates the voting instructions and sends the voting instruction to the Crest member who owns the shares and the Crest Member sends the instruction (most often to Broadridge) who then send it to the Registrar.

vii. The Registrar does not know which ultimate investors have voted and which have not. There is no audit trail to prove that voting instructions have been followed. This process would not be acceptable in the UK for a General Election!

5. Institutional Investors

i. Registrar sends information to the member (i.e. the nominee = Crest member)

ii. The Crest member send the information to the asset manager and the asset manager may send on the information to the asset owner.

iii. The asset owner may receive information from other sources.

iv. The asset manager receives the information (he/she may have to find it on the platform website), analyses it and decides if and how to vote.

v. The asset manager may talk to the asset owner, particularly if this is a contentious case.

vi. The asset owner having received the information (and information from other sources, e.g. proxy analysts), may analyse it and may decide if and how to vote.

vii. The asset owner may then issue an instruction to the asset manager on how to vote their shares. (This is a contentious point. Some AMNT members say that their asset managers have refused to vote their shares in line with their instructions, e.g. in line with the Red Lines.)

viii. If the asset manager decides to vote, it sends the voting instruction (number of shares for, against, abstain for each resolution) to the Crest member who owns the shares and the Crest Member sends the instruction (most often to Broadridge) who then send it to the Registrar.

ix. If the asset manager has several fund managers with responsibilities for shares it may need to collate their instructions before submitting the voting instruction.

x. Segregated accounts. Separate voting instructions can be submitted for each segregated account. The Registrar should know which asset owners with segregated accounts have voted and how; and which have not.

xi. Pooled accounts. Separate voting instructions can be submitted for each pooled account. The Registrar does not know which ultimate investors have voted and which have not. There is no audit trail to prove that voting instructions have been followed. This process would not be acceptable in the UK for a General Election!

Note. Sometimes the asset manager is the asset owner, e.g. when it is a retail fund.

Appendix 3: further information re ISA The analysis below highlights the problems that many private investors face in understanding the full meanings and implications of the Terms and Conditions used by many ISA providers.

We have taken Interactive Investor's (October 2019) terms and conditions for ISAs as an example ,see https://media-prod.ii.co.uk/s3fs-public/pdfs/isa_terms.pdf . This is purely because we are familiar with Interactive Investors' Ts&Cs and believe them to be similar to those used by many other providers.

The ISA regs state:

(5) An account must at all times be managed in accordance with these Regulations by an account manager and under terms agreed in a recorded form between the account manager and the account investor.

(6) Apart from other requirements of these Regulations the terms agreed to which paragraph (5) refers shall include the following conditions—

(a)that the account investments shall be in the beneficial ownership of the account investor;

(b)that, except in relation to qualifying investments for a cash component within regulation 8(2)(a), (b) or (e), and subject to regulation 15—

(i)the title to all account investments shall be vested in the account manager or his nominee or jointly in one of them and the account investor, and

(ii)where a share certificate or other document evidencing title to an account investment is issued, it shall be held by the account manager or as he may direct;

(c)that, in relation to a stocks and shares component, and qualifying investments falling within regulation 8(2)(c) and (d), the account manager shall, if the account investor so elects, arrange for the account investor to receive a copy of the annual report and accounts issued to investors by every company, unit trust, open-ended investment company or other entity in which he has account investments;

(d)that, in relation to a stocks and shares component, and qualifying investments falling within regulation 8(2)(c) and (d), the account manager shall be under an obligation (subject to any provisions made under any enactment and if the account investor so elects) to arrange for the account investor to be able—

(i)to attend any meetings of investors in companies, unit trusts, open-ended investment companies and other entities in which he has account investments,

(ii)to vote, and

(iii)to receive, in addition to the documents referred to in sub-paragraph (c), any other information issued to investors in such companies, unit trusts, open-ended investment companies and other entities;

Interactive Investor T&C

5 Investments

5.1 Investments must be made in accordance with The Regulations. We reserve the right to exclude any Investments at our discretion. We will only accept qualifying investments as defined by HM Revenue and Customs from time to time (a "Qualifying Investment"). If you purchase an Investment which is not a Qualifying Investment, you do so at your own risk.

5.2 If an Investment in your Plan:

a ceases to be a Qualifying Investment; or

b upon further investigation by us is no longer deemed by us to be a Qualifying Investment,

then we will write to let you know, giving you the option to either:

i sell the Investment and retain the proceeds within your Plan, which will be done at no charge to you; or

ii withdraw the Investment from the Plan. The withdrawal charge set out from time to time in the Rates and Charges will apply to this withdrawal. If we do not receive instructions from you by the date specified in the letter, we will sell the holding on your behalf.

5.3 You can apply for public offers of shares in qualifying companies, including investment trusts, using cash held within a Plan. If you are using sale proceeds from the sale of an Investment, the funds from the transaction must be Cleared Funds before the deadline to take up the offer.

5.4 Payment of any calls or instalments due must be made from cash held or generated within a Plan.

5.5 The Regulations do not allow a Plan to hold warrants or certain other rights, which may apply to an Investment. If warrants or other rights apply, we will tell you so that you can either sell them so that the proceeds, less any associated charges as set out in the Rates and Charges from time to time (see clause 9.1) will be credited to your Plan, or re-register them into your beneficial name.

5.6 If you wish to use funds in a Plan to take up a Corporate Event, you must ensure that all transactions have been fully settled, Cleared Funds are available and you must notify us of your instructions before the deadline date.

5.7 Share certificates or other documents evidencing title to Investments will be held in the name of our Nominee or as we may direct.

6 No fiduciary duty

6.1 Notwithstanding our obligations under clause 12 of the Terms in relation to managing conflicts of interest for you and our other obligations under these ISA Terms, nothing in these ISA Terms creates any kind of fiduciary relationship between you and us. This means that all fiduciary duties relating to confidentiality, conflicts of interest, undivided loyalty and misuse of fiduciary property will not apply to our relationship with you.

8 Shareholders' rights attaching to Investments

8.1 We will arrange, if you request, for you to receive a copy of the annual report and accounts and any other information issued to shareholders, securities holders or unit holders by every company or other concern in respect of shares, securities or units which are held directly in your ISA. Further, we will arrange, if you request, for you to attend shareholders', securities holders' or unit holders' meetings to vote.

The Interactive Investor terms and conditions for ISAs ,seea bove and https://media-prod.ii.co.uk/s3fs-public/pdfs/isa_terms.pdf , state that investments in an ISA with Interactive Investor are defined in the T&C as "means any stocks, shares, cash, benefits or other rights held within a Plan." Most readers would think from this definition that they owned the shares in a Plan. Only those with a legal bent would realise that para 5.7 defines who really holds the shares, viz. "*5.7 Share certificates or other documents evidencing title to Investments will be held in the name of our Nominee or as we may direct."*

Interactive Investor do not promote the Section 6(3)(d) rights. In fact they hide them in para 8 of the ISA terms and conditions. These rights are not prominent on their website, nor on their daily emails or weekly emails about companies' performance and upcoming AGMs.

We do not wish to criticise Interactive Investor in particular. Their T&C are probably typical of many platforms. And once you have navigated your way through their system it is quite easy to get information on AGMs, etc and to vote your shares. A proxy form has to be sent through the post (causing another delay) and has to be signed by a manager in Interactive Investor – but they do not charge for this proxy service.