Your name and address

<Date>

MP name and address

Dear xxx,

**Digitisation Taskforce**

I am very concerned by the recent interim report of the Digitisation Taskforce, commissioned by HM Treasury, details of which can be found here: <https://www.gov.uk/government/publications/digitisation-taskforce>. I request that you prevail on the Government to ask Sir Douglas Flint to reconsider his recommendations, before the final version of the Taskforce’s report is issued.

The recommendations of the interim report pose a severe threat to shareholder democracy in the UK and, if implemented, will make it much harder for individuals to hold corporations to account. That will make the UK a less attractive destination to invest in. The ability of shareholders to exercise the rights enshrined in the Companies Act is essential to the effective functioning of British society and our economy.

The Law Commission[[1]](#footnote-1) and Mark Austin in the Austin Review[[2]](#footnote-2) recognised the problems that individual shareholders currently face in exercising their ownership rights when their shares are held in nominee accounts (intermediated holdings).

The terms of reference for the Digitisation Taskforce[[3]](#footnote-3) state that the Taskforce should seek to improve the current system of intermediated share ownership. At least two key objectives set for the Taskforce seem to have been largely ignored:

The task force’s interim recommendations do nothing to achieve draft principle 2) of the terms of reference :-

“2) Rights of intermediated investors

Ultimate investors who hold shares with intermediaries should be able to effectively and efficiently exercise the rights associated with direct share ownership including voting, receiving information and other corporate actions. The ability to exercise such rights as a default should be universal, irrespective of the intermediary that an investor uses.”

The Taskforce’s current recommendation, that existing certificated shareholders should be forced to move to nominee accounts i.e. intermediated holdings, actually makes matters worse and clashes with draft principle 3):-

3) Rights of existing certificated shareholders

The removal of paper certificates should not result in the degradation of the rights of current holders of paper certificates to, for example, vote, receive information and participate in corporate actions.

The interim task force report fails in these two objectives because it considers that the exercise of shareholder rights by ultimate investors in shares held in a nominee account should be left to market forces on providers of nominee accounts as to whether the ability to exercise rights is offered. No current provider offers full exercise of rights and most offer none. The market has therefore already failed to provide the exercise of rights under nominee accounts. With nominee accounts being compulsory for ISA’s and, in practice, self-invested personal pensions, increasing proportions of shares held by UK ultimate beneficiaries would be held under accounts that may impede the exercise of shareholders’ rights.

I hope that you and your party colleagues with Treasury responsibilities will be able to prevail on the Government to insist on improvement to the current report, so that the ultimate investors (i.e. individual shareholders) will be able to hold corporations to account. This is essential to a well-functioning society under the capitalist model.

Yours sincerely

<Your Name>

1. See <https://lawcom.gov.uk/project/intermediated-securities/> [↑](#footnote-ref-1)
2. See <https://www.gov.uk/government/publications/uk-secondary-capital-raising-review> section 10 [↑](#footnote-ref-2)
3. See <https://www.gov.uk/government/publications/digitisation-taskforce/digitisation-taskforce-terms-of-reference> (Objective 1) i.) [↑](#footnote-ref-3)