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4 December 2024

Mr Timothy Maloney  
HM Treasury  
[Timothy.Maloney@hmtreasury.gov.uk](mailto:Timothy.Maloney@hmtreasury.gov.uk)

Mr Robin Mueller  
Department for Business and Trade  
[Robin.Mueller@businessandtrade.gov.uk](mailto:Robin.Mueller@businessandtrade.gov.uk)

Dear Mr Maloney and Mr Mueller

## **Our key concerns about the Digitisation Taskforce**

As an organisation of individual shareholders, we have many members who still own shares in certificated form. With a few exceptions (members who are sponsored members of CREST despite the high costs most intermediaries charge) the remainder hold their non-certificated shares via nominee accounts operated by financial services firms. Of course, all members who have ISAs, SIPP, and similar tax privileged accounts hold their shares via nominees because that is required by the government.

Accordingly, the manner in which presently certificated shares are dematerialised, and the way that financial services firms operate nominee accounts, are both of great concern to our members.

That is why following the issue of the Digitisation Taskforce's terms of reference<sup>1</sup> we published on 24 December 2022 our "Position Paper on Dematerialisation."<sup>2</sup>

After the Digitisation Taskforce's Interim Report was issued in July 2023, we submitted a response jointly with UK Individual Shareholders Society (ShareSoc) on 8 September 2023.<sup>3</sup>

This was followed up by a meeting with Sir Douglas Flint and other members of the

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<sup>1</sup> Government website <https://www.gov.uk/government/publications/digitisation-taskforce/155008b5-d6e1-458d-aa67-772b776fe632>

<sup>2</sup> UKSA website <https://www.uksa.org.uk/sites/default/files/2022-12/UKSA-position-on-dematerialisation-published-2022-12-24.pdf>

<sup>3</sup> UKSA website <https://www.uksa.org.uk/sites/default/files/2023-09/Flint-Report-Joint-response-from-2023-09-08.pdf>

Taskforce on 11 December 2023.<sup>4</sup>

Our reading of the July 2023 Interim Report and meeting with the Taskforce left us with concerns about their direction, which led to UKSA and ShareSoc jointly issuing on 8 March 2024 a “Position Paper re Digitisation Taskforce.”<sup>5</sup>

UKSA, ShareSoc and ShareAction (a charity which focuses on responsible investment) met with the Taskforce again on 18 September 2024 and followed up with a joint email to the Taskforce sent on 12 November 2024.<sup>6</sup>

While UKSA obviously cannot know what the Taskforce is going to recommend until their final report is published, from our contacts with them we have serious concerns.

Accordingly, we consider that it would be helpful to HM Treasury and the Department for Business and Trade to know how we will assess whether it meets the needs of our members.

1. Owners of certificated shares presently suffer no charges for owning their shares, for receiving company accounts and other information, taking up rights issues, receiving dividends, voting, or attending AGMs. They must not lose any of these rights, nor face new costs, when their shares are dematerialised.
2. Investors who currently hold their shares in dematerialised form using nominees (UBOs using the Digitisation Taskforce’s terminology) are often unable to exercise the rights mentioned at (1) at all, or sometimes without suffering significant additional charges. Their rights need to be restored, so that they are not worse off than those whose holdings are to be dematerialised now.
3. Post dematerialisation, companies must be able to communicate directly with UBOs, as they are able to communicate with holders of share certificates today.
4. When they have a legitimate need (such as organising a shareholder resolution) UBOs need to be able to contact other UBOs, just as owners of share certificates can. The present situation where nominee companies present an impenetrable barrier to such communication is unacceptable.
5. Recent stockbroker collapses have shown poor record keeping and failings in the segregation of UBOs’ holdings. Dematerialisation is the occasion for Government to mandate uniform, high, standards of segregation.

We consider that a fully satisfactory dematerialised share registration system needs to record the name(s) of the UBO(s) as well as recording the nominee who administers the shares for the UBO. In our opinion this is technologically feasible and

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<sup>4</sup> UKSA website <https://www.uksa.org.uk/news/2024/01/12/uksa-and-sharesoc-met-sir-douglas-flint-chairman-digitisation-taskforce-11th>

<sup>5</sup> UKSA website <https://www.uksa.org.uk/sites/default/files/2024-07/Digitisation%20ShareSoc%20and%20UKSA%20-%20Digitisation%20Position%202024-03-08%20Final.pdf>

<sup>6</sup> UKSA website [https://www.uksa.org.uk/sites/default/files/2024-11/Email\\_to\\_Digitisation\\_Task\\_Force\\_12\\_Nov\\_2024\\_0.pdf](https://www.uksa.org.uk/sites/default/files/2024-11/Email_to_Digitisation_Task_Force_12_Nov_2024_0.pdf)

requires only minor legislative changes. We also believe that any cost benefit analysis of the changes we propose should find that the benefits exceed the costs.

We would be pleased to meet with you to discuss these issues further. We also attach an appendix giving some background about our organisation for anyone who is not familiar with it.

Yours sincerely

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## **APPENDIX – ABOUT UKSA**

### ***UKSA (United Kingdom Shareholders' Association)***

1. UKSA is the oldest shareholder campaigning organisation in the UK, with 12,000 members. We are a not-for-profit company that represents and supports shareholders who invest in the stock market.
2. There are many agents and intermediaries active in financial markets. Unlike them, we are an organisation solely representing people who are investing their own money.
3. UKSA was formed to provide individual shareholders with a voice, influence and an opportunity to meet like-minded fellow investors. It is structured as a non-profit making company with annual subscriptions. An elected Chairman and Board of Directors (all volunteers and individuals with a wide range of backgrounds and experience) monitor a regional organisation. Each region benefits from oversight by an elected regional Chairman and Committee.
4. We build relations with regulators, politicians and the media to ensure that the voice of individual shareholders is reflected in the development of law, regulation, and other forms of public policy. See [www.uksa.org.uk](http://www.uksa.org.uk)