

HM Treasury
Digitisation Task Force

Management and Investment Resources

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Attn: Sir Douglas Flint

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Comments on Interim Report

Dear Sirs,

I am submitting these comments as an active private investor in the shares of public companies so my main interest is in the impact of the proposals on private investors. I have also been involved in previous discussions on dematerialisation so have a good understanding of the subject. I am a strong supporter of dematerialisation.

I hold my portfolios partly in personal Crest accounts (via two different brokers), partly in nominee accounts with two other different brokers and still have a number of paper share certificates.

My comments are:

1. I agree that the issue of new paper share certificates should cease as soon as possible. However that leaves outstanding the problem of how to treat shares that are issued to those people on the share register who are entitled to receive new shares (but who are not Crest members). One option is to put them into a corporate nominee account but I would object strongly to the use of a nominee account.

Unless your name is on the share register of a company you are not a "Member" of the company and hence lose important legal rights (not just voting rights).

2. Likewise it is suggested that existing paper certificates be dematerialised by moving them into a nominee account. This is deeply unsatisfactory for the same reason. The proper solution is a new "name on register" holding and transfer system as has been previously proposed. My answer to Question 5 is therefore "I do not agree".
3. It suggests "the use of additional options to cheques for cash remittances". This is certainly required and we already have the problem that some companies are refusing to issue dividend cheques. This creates substantial delays while information is

collected on a shareholder's bank account (and it also creates a security risk as the information is collected via an exchange of posted letters).

4. The proper solution to that problem is the creation of secure digital identities for all shareholders which would include details of email addresses and bank details.
5. On page 11 it suggests that "issuers may choose to take powers to default such shareholders to take their dividends in cash". This I do not understand at all. Is it being suggested that a shareholder would need to visit a bank to collect their dividends? Not a practical proposal. Surely a retrograde step.
6. I have some concerns about the suggestion that those in the "deemed consent" category will only be notified by electronic means" (see page 21). It is argued that "individuals change their email addresses and their bank account less frequently than their physical address"(see page 22), but I do not believe that to be the case. For example I have not moved house in the last 25 years but have changed email address a number of times due to excessive spam, for security and other reasons.
7. I oppose recommendation 2 as I consider it important for legal reasons to have my name on the issuer's share register.
8. The Interim Report says nothing about access to share registers by other than the shareholders. Likewise nothing is said about such access to nominee accounts which is important to maintaining shareholder democracy. ShareSoc has published good analyses of the need to reform UK share ownership (available from this web page: <https://www.sharesoc.org/campaigns/shareholder-rights-campaign/>) which were written by me and also a video is available on the subject.

In summary there is good coverage of the issues in the Interim Report but it ignores many of the technical problems in what is a complex area.

Yours sincerely

Roger W. Lawson
Managing Director