

SMALL BUSINESS, ENTERPRISE AND EMPLOYMENT ACT 2015

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 7: COMPANIES: TRANSPARENCY

Abolition of share warrants to bearer

Schedule 4: Abolition of share warrants to bearer

572. [Part 1](#) of this Schedule sets out the provisions for the transitional arrangements required for the conversion and cancellation of bearer share warrants, to achieve abolition. [Part 2](#) of the Schedule contains the amendments to specific sections of the Companies Act 2006 (CA 2006) which are required by the new provisions.

Part 1: Arrangements for Cancellation and Conversion

573. [Part 1](#) of the Schedule sets out the surrender period for bearer share warrants, then the process for cancellation of any remaining bearer share warrants.

574. [Paragraph 1](#) specifies a nine month “surrender period” for bearer shareholders to surrender their warrants to the company for cancellation and for registration of the shares specified in the warrants.

575. [Paragraphs 2](#) and [4](#) set out the requirements for a company to give notice to their bearer shareholders – informing them of their rights to surrender and the consequences of not exercising them. This notice must be given within the first month of the surrender period, and again before the end of the eighth month if there are bearer shares remaining at that point. Failure to give notice will constitute an offence by the officers of that company.

576. [Paragraph 3](#) provides for the consequence of failure to surrender a bearer share warrant during the first seven months of the “surrender period.” At the end of that period, the bearer share warrants will become non-transferable and all other rights attached to them will be suspended

577. [Paragraph 5](#) requires a company with any bearer share warrants remaining at the end of the nine month “surrender period” to apply to court within 3 months for an order cancelling the warrants and the related shares. Sub-paragraphs (3) and (5) of paragraph 5 specify that the former bearer share holders must be notified about the application and that the Registrar of Companies must be notified when a cancellation order is made.

578. [Paragraph 6](#) details the court orders to effect cancellation of bearer share warrants remaining at the end of the nine month “surrender period.” If the court is satisfied that a company has fulfilled the notice requirements with respect to the bearer share holder during the surrender period, it will make a cancellation order; if it is not satisfied then it will make a suspended cancellation order. Sub-paragraph (3) describes the suspended

cancellation order, including the requirement of the company to give notice to its bearer share holders within 5 working days of the court order of the start of a 2 month period from the date of the order in which they can surrender the share warrants (the “grace period”). Cancellation must be entered in a company’s register of members.

579. [Paragraph 7](#) specifies a requirement for a company to provide the Registrar with certain documents specified in the Schedule relating to the cancellation including a revised statement of capital. Paragraph 8 provides that if cancellation results in a reduction in share capital below the authorised minimum in the case of a public company the company must be re-registered as a private company before the cancellation is registered.
580. [Paragraph 9](#) requires payment by a company into court on cancellation of the bearer share warrants of the nominal value of the shares and any premium paid on them, together with the value of any dividends accrued on the shares since the rights attached to them were suspended.
581. [Paragraph 10](#) provides that a former bearer share holder may apply to the court to claim the sum paid in to court by the company (in respect of their shares and any dividend) on cancellation of the shares. Such an application may be made between 6 months and 3 years after the cancellation date. Paragraph 10 sets out that the court will only make such a payment in the case of exceptional circumstances which prevented the holder of the bearer share warrant surrendering the share during the surrender period. The purpose is to provide that where there has been a genuine and profound impediment to surrendering bearer share warrants in the time specified, then a limited period of time should be available to allow anyone so affected to claim their property. Exceptional circumstances might include serious, incapacitating and long term illness during the surrender period, for instance.
582. [Paragraph 11](#) provides for circumstances where a company enters administration or goes into liquidation or appoints an administrative receiver after the making of a cancellation or suspended cancellation order. In these circumstances the office-holder may apply to the court for the sum paid into court in respect of any relevant warrants, excluding any accrued dividends.
583. [Paragraph 12](#) specifies that sums remaining with the court after three years be paid into the Consolidated Fund.
584. [Paragraph 13](#) prevents a company with issued bearer share warrants from making an application for striking off.
585. [Paragraph 14](#) sets out the requirements of the notices that must be given by the company with issued bearer share warrants under the various provisions of this Schedule.
586. [Paragraph 15](#) applies the language requirements of the Companies Act 2006 to documents delivered to Companies House under the Schedule.
587. [Paragraphs 16 to 18](#) set out details relating to the offences that apply in relation to various provisions of the Schedule.
588. [Paragraph 19](#) applies various sections of the Companies Act 2006 to the Schedule.
589. [Paragraph 21](#) defines terms used in this Schedule.
590. [Paragraph 21](#) provides that until sections 94 (option for keeping information on central register) and 97 (Contents of statement of capital) come into force, the provisions in schedule 4 operate without reference to those provisions.

Part Two: Consequential Amendments

591. [Part 2](#) of the Schedule amends CA 2006 for consistency with the provisions to abolish share warrants to bearer.

*These notes refer to the Small Business, Enterprise and Employment
Act 2015 (c.26) which received Royal Assent on 26 March 2015*

- 592. [Paragraph 23](#) amends section 122 of CA 2006 to reflect the fact that once section 84 is in force no more share warrants will be able to be issued.
- 593. [Paragraph 24](#) amends section 617 of CA2006 to allow for a company to alter its share capital on the basis of the requirements in this Schedule. [Paragraph 25](#) amends section 652 of CA 2006 to ensure a member of the company is not liable in respect of any share to any call or contribution exceeding the nominal amount notified to the Registrar in a statement of capital resulting from a reduction of capital on the basis of the requirements in this Schedule.
- 594. [Paragraph 26](#) amends CA 2006 to remove section 780 which currently requires a company to provide a share certificate on surrender of a bearer share warrant, since this will no longer be needed when bearer share warrants are abolished.
- 595. [Paragraphs 275](#) and [28](#) amend CA 2006 to provide for restoration of a company through the administrative route or by the court if it had bearer share warrants in issue at the time of strike-off or dissolution. Any bearer share warrants and the shares specified in them will be cancelled on restoration. If, as a result, the company has no share capital it must make an allotment of shares.