
EXPLANATORY NOTE

(This note is not part of the Regulations)

1. These Regulations make provision for the transfer without a written instrument, and the evidencing otherwise than by a certificate, of title to a unit of a security, in accordance with a computer-based system and procedures known as the “relevant system”. The relevant system centres on a person known as the “Operator”. The legal framework underlying the operation of the relevant system, together with the criteria which the Operator and the relevant system must meet, are enshrined in these Regulations.

2. Regulations 2 and 3 set out the purposes and definitions of the Regulations. A unit of a security which may be transferred by means of the relevant system is referred to as an “uncertificated unit”. A security, the units of which may become uncertificated, is referred to as a “participating security”. An issuer who issues a participating security is, in relation to that security, referred to as a “participating issuer”. Instructions sent by means of the relevant system are referred to as “dematerialised instructions”.

3. Regulations 4 to 13 make provision for the approval of the Operator by the Treasury if it appears to them that he and any relevant system meet certain criteria specified in Schedule 1. The Regulations give the Treasury certain powers in relation to the Operator if he, or the relevant system, fails to meet the criteria, or if necessary for the performance of their functions under the Regulations. Provision is also made for the delegation by the Treasury of their functions under the Regulations to a designated agency. Schedule 2 provides for oversight by the Director General of Fair Trading of the rules and guidance of the Operator to ensure that they do not distort competition.

4. Regulations 14 to 17 set out the conditions on which issuers, may allow securities issued by them to become participating securities and hence to be held in uncertificated form and transferred by means of the relevant system. Provision is made for a class of shares governed by articles of association which are in all respects consistent with the Regulations to become a participating security. Provision is also made for the directors of a company to pass a “directors' resolution” so that other classes of shares can become participating securities notwithstanding any contrary provisions in the articles of association, and for the members of the company to prevent or reverse a directors' resolution. Conditions are specified for securities other than shares to become participating securities.

5. Regulations 18 to 22 make provision for the keeping by participating issuers of “registers of securities” recording persons holding in uncertificated form units of a security issued by them, and for the title that such entries confer. Provision is also made for the notification to the Operator of changes to entries on registers of securities and also for the Operator to give his consent to the rectification or closing of such registers.

6. Regulations 23 and 24 make provision for a participating issuer, subject to a number of exceptions, to register the transfer of title to an uncertificated unit of a security following an Operator-instruction to do so. Provision is also made to allow participating issuers to register two or more transfers on a net basis, or simultaneously, in certain circumstances.

7. Regulation 25 makes provision for a transferee to acquire a property right in uncertificated units transferred by means of the relevant system before his name appears on the register of securities. Other than in the case of Scottish securities, the transferee acquires an equitable interest in a number of units calculated in accordance with the regulation. In relation to Scottish securities, the transferor is deemed to hold on trust for the transferee a number of units which is calculated in the same way.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

8. Regulations 26 to 28 make provision for the conversion of units of a participating security between certificated and uncertificated form, and for the issue of new units of a participating security in uncertificated form.

9. Regulation 29 makes provision to prevent persons sending certain dematerialised instructions, and to prevent persons on whose behalf they are sent, from denying particular matters relating to the instructions. It also makes provision for persons receiving such instructions to accept, with certain exceptions, that the information contained in them and matters relating to them are correct. 34 1

10. Regulation 30 provides that the Operator is liable, in certain circumstances, if as a result of the sending of certain dematerialised instructions a person suffers loss.

11. Regulations 31 and 32 amend certain references in enactments and rules of law, and disapply certain formalities and requirements.

12. Regulation 33 makes provision for trustees to use the relevant system and for debentures to be held in uncertificated form and transferred by means of the relevant system.

13. Regulation 34 makes provision for giving notices of meetings.

14. Regulations 35 and 36 make provisions relating to take-overs of companies with shares held in uncertificated form.

15. Regulations 37 and 38 provide for the liability of participating issuers and their officers for contravening certain regulations.

16. Regulation 39 and Schedule 3 adapt the Regulations as they apply to Northern Ireland.

17. Regulation 40 makes certain minor and consequential amendments to the Companies Act 1985 and the Financial Services Act 1986.

18. Regulation 41 revokes the Uncertificated Securities Regulations 1992.