



## Companies Act 2006 Update

### Indirect investors

New provisions come into force on 1 October 2007, which will enable those who hold shares via nominees (indirect investors) to play a fuller role in a company's operations:

- All companies will be able to change their Articles to allow the registered shareholder to nominate someone else (e.g. the indirect investor) to exercise some or all of his membership rights, including voting rights. The only membership right that cannot be the subject of a nomination is the right to transfer the shares themselves.
- Unless and until a company's Articles are changed to permit indirect investors to exercise voting rights directly in this way, indirect investors will still need to arrange for the registered shareholder to vote in accordance with their wishes (or alternatively, arrange to have the right to be appointed as a proxy for meetings). To better facilitate this process, new provisions will enable registered shareholders who hold shares on behalf of several different beneficiaries to split the holding and exercise the voting rights attached to the shares in different ways to reflect the underlying holdings. Indirect investors will also be able to participate in requisitions. These new provisions apply to all companies.
- Whether or not a company has made provision in its Articles to enfranchise indirect investors, registered shareholders of companies whose shares are traded on a regulated market (this includes the LSE but not AIM) and who hold shares on behalf of indirect investors may nominate the indirect investor to enjoy so called "information rights" (the right to receive company information and documents) from 1 January 2008.

It will, however, be up to the registered shareholder, typically a broker, to decide whether to nominate or not. Those who are intending to invest in shares in such companies are advised to choose a nominee operator who offers such rights as part of their service. Similarly, those who have already invested in such shares should check with their nominee operator to find out whether or not they intend to offer a nomination facility.

## Contact us

For further information or if you have not received any of our earlier briefing notes contact:

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