

REGISTRY ROUND-UP

April 2018



Welcome to your April round-up. We are bringing you highlights from the registry world, key dates for you to be aware of, all current and relevant industry updates and a market update provided by Georgeson.

This month we will cover:

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Latest on the blog

New wave of EU regulation

Take a look at our webpage about recent and upcoming regulatory change and its impact on registry services

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Industry update

Directors Likely to be Targets for Identity Fraud

According to a recent Government press release, company directors are twice as likely to be the victims of identity fraud. This revelation has prompted the Government to propose the Companies (Disclosure of Address) (Amendment) Regulations 2018 (found [here](#)).

The purpose is to make it easier for company directors, and others, to have historical information containing their residential address removed from the Companies House register. This, therefore, abolishes the current threshold, which prevents applications being made in relation to information filed before January 2003.

The amended regulations are anticipated to come into force from October 2018. While the change in threshold is arguably the most important change, another key one will be that applicants will no longer need to satisfy one of the current grounds for making an application as found under s.1088 of the Companies Act 2006. The regulations lay out the various capacities in which an individual may make an application to have an address removed from a register.

Re-Classification or Conversion of Shares

The ICSA has published a newsletter explaining the procedural steps involved in converting or re-classifying a share class. This follows the ICSA identifying that questions relating to this area are some of the most frequently asked questions posed to their enquiry service.

The newsletter (found [here](#)) covers a summary of the procedure for conversion, the requirements of the Companies Act 2006 and the ICSA best practice for re-designation and amendments to the associated rights. The article also reaffirms the filings which need to be made with Companies House.

Government Consultation – Insolvency and Corporate Governance

The Department for Business, Energy and Industrial Strategy (BEIS) has launched a consultation on improvements to corporate governance within companies which are in or are approaching insolvency. The aim of the consultation is to reduce the risk of major company failures occurring through shortcomings of governance or stewardship and to strengthen the responsibility of directors of firms when they are in or approaching insolvency.

The consultation includes the following proposals:

- › **Sale of businesses in distress** - This section proposes potential changes to make sure that the directors responsible for the sale of an insolvent subsidiary of a corporate group take proper account of the interests of the subsidiary's stakeholders. The Government proposes that company directors should be held to account if they conduct a sale which harms the subsidiary's employees/creditors and that harm was reasonably foreseeable at the time of sale. It would be possible for directors to suffer penalties, in the form of disqualification and personal liability, in exceptional situations. However, liability would cease two years from the date of the sale
- › **Reversal of value extraction schemes** - This is where a company in financial difficulty has been 'rescued' by investors who then strip the company of its assets if the company becomes insolvent. The Government is proposing to extend the recovery powers of insolvency officer holders by letting them apply to court so they can reverse a connected party transaction which unfairly strips value from a failing company

- › **An investigation into the actions of directors of dissolved companies** - The Government is proposing to extend the existing investigative powers into the conduct of directors to cover directors of dissolved companies. If implemented, this would avoid the need to restore a company to the Register of Companies

The consultation also considers a number of ways to strengthen corporate governance issues in pre-insolvency situations:

- › Whether steps should be taken to improve governance, accountability and internal controls within complex company group structures
- › Whether there may be further opportunities to strengthen the role of shareholders in stewarding the companies in which they have investments
- › Whether the legal and technical framework where dividend decisions are made could be improved and made more transparent whilst ensuring that dividend payments should remain for directors to decide, having regard to their legal obligations and guidance
- › Whether directors are commissioning and using professional advice with a proper awareness of their duties, and they are able to apply an independent mind
- › Whether supply chain and other creditors should be better protected and, if so, how this could be achieved while preserving the primacy of the interests of shareholders

The consultation can be found [here](#), and closes on 11 June 2018.

AIM Rules for Companies

The London Stock Exchange recently ran a consultation seeking views on areas of the AIM rulebooks. Following the closure of the consultation on 29 January 2018, new versions of the AIM Rules for Companies and the AIM Rules for Nominated Advisers has been introduced on 30 March 2018, except for the new corporate governance requirements which apply from 28 September 2018.

The changes are as follows:

- › **Early notification** - A company's nominated adviser will be required to submit an early notification form containing key information relating to the proposed new applicant. This form should be submitted as soon as is reasonably practicable, but before the pre-admission announcement is submitted. The early notification form can be submitted when the nominated adviser chooses, however, the LSE expects them to take into account whether sufficient information can be provided to allow for a meaningful discussion
- › **Appropriateness for admission** - Schedule three to the AIM Rules for Nominated Advisers will contain a non-exhaustive list of matters that could affect an applicant's appropriateness for AIM
- › **Corporate governance** - AIM companies must provide details on their website of the 'recognised corporate governance code' that the company has decided to apply. Previously, AIM companies had the choice of either stating which corporate governance code they followed, or simply that they did not follow a code. They must now note on their website how it complies with their chosen code and where it departs from this, and an explanation of the reasons for doing so. The information should be reviewed annually and it should include the date it was last reviewed

All new applicants to AIM from 30 March 2018 will be required to state which corporate governance code they intend to follow, but they will have until 28 September 2018 to be fully compliant. The updated AIM Rules for Companies can be found [here](#), and the Aim Rules for Nominated Advisers can be found [here](#).

Record Number of Women on FTSE 100 Boards

The Department for Business, Energy and Industrial Strategy (BEIS) has published new data to mark International Women's Day on the proportion of women on FTSE 100 boards. The key figures are as follows:

- › Almost 29% of FTSE 100 board positions are held by women – an increase of 12.5% on 2011

- > There are now 309 women on FTSE 100 boards – more women than ever before
- > FTSE 100 firms are on track to hit the target set by the Hampton-Alexander Review of a third of board positions being filled by women in 2020

The full report can be viewed [here](#).

UK Government Increases its Scope to Review Takeovers on National Security Grounds

The Department for Business, Energy and Industrial Strategy (BEIS) recently ran a consultation regarding foreign investment and national security. The consultation was split into two parts, which closed on 14 November and 9 January. The first part focused on short-term proposals, whereas the second part discussed long-term reforms. Following the consultation, the Government has announced that it will implement its short-term proposals. The scope of the Government's jurisdiction to review, block, or impose conditions to transactions involving a change in material influence or control over certain enterprises on national security grounds will be expanded.

The reforms will lower the threshold for Government intervention in mergers. The new thresholds will apply to firms that develop items for military use, computer hardware, or quantum technology, and the Government will be able to intervene in mergers in these sectors where the target's UK turnover exceeds £1 million, or the target has a UK share of supply of at least 25%. Under these new thresholds, the Government could review a merger on purely competitions grounds, or for any relevant public interest consideration. Despite this, the Government has also indicated that it does not expect the new thresholds to result in transactions being reviewed unless they raise national security concerns. However, all transactions which are notified voluntarily will be reviewed. The outcome of this is that firms will, therefore, need to assess whether to submit a voluntary merger filing, triggering a formal merger investigation and potentially a public interest investigation. A firm that decides not to notify its transaction risks intervention after the merger has completed.

The Government has published draft guidance on the changes, which can be found [here](#), as well as a response to the consultation on short-term proposals – found [here](#).

Global News

New Zealand Corporate Governance

The Financial Markets Authority has issued an updated version of their Corporate Governance handbook (found [here](#)), which follows the updates made to the New Zealand Stock Exchange Corporate Governance Code (found [here](#)) last year.

The new handbook lays out eight principles, each with accompanying guidance and commentary from the regulator. The handbook, unlike the Code, is primarily for non-listed and public sector companies, but has been designed to complement the Code.



Georgeson market update

UK Activism

Control of Engineering Giant

BBC News reports that [Melrose Industries has won control of the UK engineering giant GKN](#).

Georgeson supported Melrose in attaining majority shareholder support; more information can be found [here](#).

The Big Four

The Guardian reports that [Regulator urges inquiry into breaking up big four accountancy firms](#).

"Making KPMG, Deloitte, PwC and EY spin off auditing arms could end conflict of interest, says FRC". Additionally, the Financial Times reports that [Grant Thornton exits market for big company audits in the UK](#). "Firm cites 'Big Four' dominance in decision that will hurt efforts to convince regulators not to intervene."

Corporate Governance Code Reboot

Investment and Pensions Europe reports that [Asset managers back Corporate Governance Code reboot](#).

"The Financial Reporting Council (FRC) has won significant support from investors for its proposal to force companies to engage with shareholders if more than 20% vote against a company resolution. The FRC wants companies to explain what action they plan to take to 'understand the reasons behind the result'. The proposed new measure forms part of the FRC's reboot of the UK Corporate Governance Code. However, stakeholders also called for a tougher stance on issues affecting pension scheme members and employees."

International Activism

Reshaping of Corporate Boardroom

Bloomberg reports [Fearless Girl's First Year Helped Reshape Corporate Boardrooms](#).

"In the year since State Street's Fearless Girl statue started her showdown with Wall Street's Charging Bull, the \$2.6 trillion asset manager has faced a confrontation of its own in corporate boardrooms: pressing firms to add more women to their boards. More than 150 companies State Street targeted for not having a female director as part of its Fearless Girl campaign have added at least one, it said Wednesday. The company sent letters and engaged in an unprecedented withholding of votes from directors responsible for nominating their colleagues at more than 400 companies." See here for a Georgeson memo entitled [SSGA's 2018 Voting Policy Updates Summary](#).

Meaning of Letter to CEO

Bloomberg reports that [BlackRock Spells Out What Larry Fink's Letter to CEOs Meant](#).

"When BlackRock Inc.'s Larry Fink sent a letter to CEOs in January, some executives and directors were stumped about what he meant by asking companies to explain how their business makes 'a positive contribution to society' beyond financial performance. The \$6.3 trillion asset manager spelled out Wednesday what its chief executive officer was asking for – by posting documents on its website with more than 20 questions it may discuss with boards and

executives, on issues including climate change, human capital management, diversity and executive pay.” [See here for the five BlackRock Commentaries.](#)

Activist Takes Stake in Barclays to Double Share Price

The Daily Telegraph reports that [New York activist investor takes Barclays stake to mount campaign to double share price.](#)

“A transatlantic corporate raider has built a minority stake in troubled bank Barclays with the goal of doubling its share price, piling more pressure on the lender’s under-fire chief executive Jes Staley. New York-based Sherborne Investors, led by British-born Edward Bramson, has taken a 5pc stake in the lender, Barclays disclosed this morning. Sherborne has gained a reputation in the City for pursuing aggressive shake-ups of under-performing companies. Its previous UK campaigns have included ousting the leadership teams at private equity firm Electra and fund manager F&C on the road to turning around their performance. Guy de Blonay, a fund manager at Jupiter Asset Management, which is one of Barclays’ investors, said Sherborne’s involvement is ‘very good news’ for the British bank because it suggests there is value in its shares and reinforces the case for investment.”