

Bearer shares banned

DENTONS

July 20, 2015

The first of the corporate transparency provisions in the Small Business, Enterprise and Employment Act 2015 came into force on 26 May 2015 with the banning of share warrants to bearer, or bearer shares as they are more commonly known. (See [issue 1](#) for an overview of the Act.)

From 26 May it has been unlawful for a UK company to issue bearer shares. A company whose articles of association authorise the issue of bearer shares can amend its articles without having to pass a special resolution or comply with any provision for entrenchment.

On the same date a transitional nine-month period started during which existing bearer shareholders may surrender their bearer shares and convert them into registered shares. The legislation contains detailed rules about the procedures and imposes certain duties on companies with existing bearer shareholders.

If a bearer shareholder does not elect to convert his bearer shares within the surrender period, the affected company must apply to court to cancel those shares and make an associated payment of capital into court. This amounts in effect to a reduction of the company's capital. Typically it will therefore be simpler, cheaper and less disruptive for a company if any bearer shareholders exercise their surrender and conversion rights. Any funds paid into court will typically remain there for three years, after which the bearer shareholder loses any right to repayment and the funds go to the state.

Small Business, Enterprise and Employment Act 2015, sections 84–86 and Schedule 4

Your Key Contacts



Richard Barham

Partner, London

D +44 20 7246 7109

richard.barham@dentons.com

Candice Chapman

Counsel, London

D +44 20 7246 7141

M +44 7525 174223

candice.chapman@dentons.com