

Section 793: powerful, but not real-time and what dematerialisation might mean for it

AN OVERVIEW OF UK CHANGES

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Overview:

Shareholder transparency has long been a defining feature of the UK equity market. Under the Companies Act 2006, Section 793 (together with Section 792) enables issuers to require information from parties who hold, or may hold, an interest in their shares. This regime is deliberately broad to penetrate nominee layers and arrangements.

While this mechanism has proven to be very effective, real-time live analysis does not exist in the UK. It relies on manual workflows and point-in-time analysis, especially given the variances in the time it takes to receive custodial responses. While other sources can be used to track changes, such as RNS announcements (major shareholder rules etc), or wash throughs of daily CREST transactional files, any attempt to keep a rolling live analysis will lead to over analysis of the issued share capital.

As the UK explores reforms linked to digitisation, **Dematerialisation Market Action Taskforce (DEMAT)**, and potential alignment with elements of Europe's Shareholder Rights Directive II (SRDII) framework, issuers may face material new risks. These include increased operational dependency, loss of flexibility, and perhaps most importantly significantly higher costs.

This article examines the existing S792/S793 landscape and evaluates the emerging risks should the UK move toward an SRD II-style enabled disclosure regime, as some stakeholders are advocating for.

What s.792/793 do—and what they don't

A **s.793 notice** compels recipients to confirm whether they have an interest and to supply particulars, including identities of others interested and any agreements relevant to voting or acquisition. Companies set a "reasonable" response period, sometimes up to 10 days, and failures to respond can attract mandated consequences, however in practice this is rarely utilised. The current system has proven itself to be highly effective.

Crucially, the process is issuer-initiated and episodic, not a continuous disclosure feed. In practice, notices travel through custody chains and responses are consolidated into the s.808 register, often with Issuer Agents such as MUFG Corporate Markets supporting the analysis and administration. The result is a high-resolution point-in-time view, rather than a live dashboard.

Most importantly and unlike many other jurisdictions S792/S793 carries no statutory fee burden; costs are primarily administrative and are not subject to increases through Custodial charges for the provision of their data.

What it does provide in most cases is the ability for UK Issuers to receive close to 99% view of their underlying holders, piercing the Custodial holders, including the PCB's if an issuer so requires, all at a very low cost per report. This has provided Issuers with the ability to

budget for regular analysis, providing key Investor Relations intelligence on a cadence to match the requirements of the Issuer, be it daily, weekly, monthly or quarterly.

The coming shift: dematerialisation and a possible tilt toward SRDII

The UK is moving to dematerialise paper shareholdings and modernise register plumbing and the UK Government has accepted the Digitisation Taskforce's staged plan:

- (1) abolish paper certificates and create **digitised registers** (target **end-2027**);
- (2) **reform the intermediated system** so ultimate beneficial owners can exercise rights more effectively;
- (3) complete the transition to a **fully intermediated system** (potentially with a sunset date).

The Treasury has created the **Dematerialisation Market Action Taskforce (DEMAT)**, chaired by Mark Austin CBE, to deliver Step 1 and advise on subsequent steps.

With the DEMAT currently setting out a path toward a fully intermediated model in 2029, albeit without a definitive timeline, issuers face significant change if the S792/3 model evolves into something more automated and centrally controlled, and if Custodians get their wish to move to a SRDII type model.

Loss of flexibility under an SRD II style model

SRDII would introduce some possible improvements to the current process, such as structured request protocols and fixed SLAs, potentially improving custodial response times, but also threshold-based disclosures in some jurisdictions. Several EU markets limit the timing of requests (e.g., to AGM periods only), severely reducing the ability to conduct ad-hoc investigations. Some European implementations highlight thresholds such as 0.5% in Netherlands and Italy, excluding a large proportion of holders from standard analysis exercises and significantly reducing the look through that Issuers can expect of their shareholder base.

A move towards a SRDII model may also require that instruction requests currently communicated directly with each custodian, be migrated to ISO 20022 793 SWIFT-based messaging. Such a shift will introduce significant technical, operational, cost, and risk management challenges for Issuers and Issuer Agents, such as MUFG Corporate Markets, as current systems will need to be overhauled to accommodate this change, while potentially requiring the ongoing support of current communications channels, if some custodians and intermediaries do not embrace SWIFT. All these new costs will ultimately need to be reflected in the charges passed on to Issuers for the provision of the Share Register Analysis service.

Unforeseen Intermediary Costs (France & Germany) and Their Impact on Analysis Frequency

European markets offer a cautionary example of how “proportionate” fees under SRD II can become unpredictable and burdensome. In Germany and France, the introduction of intermediary driven charging structures has directly increased the cost of running full shareholder identification exercises. The net effect: **each identification exercise now carries an additional marginal cost**, which in many cases is not something that can be estimated in advance.

In many cases it has added thousands of Euros to the cost of running each full SRD II analysis. A disproportionate amount to cover the cost of sending one SWIFT message by each Custodian.

These unforeseen intermediary charges have had tangible effects:

- **Higher and variable pass-through fees:** Costs differ by custodian, by jurisdiction, and by request cycle, making budgeting difficult.
- **Reduction in analysis frequency:** Many European issuers now conduct fewer analyses per year due to cost concerns, limiting visibility of shareholder movements.
- **Constraints on investor monitoring:** Frequent and ad-hoc analysis, routine for UK large caps, becomes financially prohibitive in an SRD II cost environment.
- **Erosion of issuers’ strategic advantages:** For UK issuers used to regular monitoring and rapid response to activism or stake building, any rise in per analysis cost undermines this agility.

For the UK, the risk is clear: adopting an EU-style model could transform share register analysis from a predictable, low-cost exercise into a variable cost, high dependency process, reducing overall transparency.

Practical steps for boards and IR now

1. **Engage your registrar and intermediaries early.** DEMAT is working toward a Step-1 “go-live” **before end-2027** but will include considerations regarding full intermediation at Step 3; expect consultation on timelines, message standards and fees. Early dialogue helps avoid last-minute costs and aligns expectations on identity-request turnaround.
2. **Budget for dual running.** Maintain capability (in-house or outsourced) for s.793 campaigns and s.808 register upkeep, while scoping the systems, privacy and contractual impacts of any DEMAT driven messaging.
3. **Design for contactability.** Where lawful, enrich 793 outputs with contact data and consent pathways so you can engage quickly once identity is known. If SRDII style

responses (email, LEI, addresses) arrive, ensure security, retention and privacy controls are in place.

Bottom line

The UK's S792/S793 mechanism is flexible, low-cost, and well-suited to frequent point-in-time analysis. Yet custodians increasingly view the system as manual and inefficient, and digitisation pressures are accelerating reform discussions.

If the UK migrates toward a dematerialisation enabled or SRDII style model, issuers face the real possibility of higher costs, reduced flexibility, and greater reliance on intermediaries: issuers may end up **paying more to know less, less often**.

Critically, the European experience demonstrates that such reforms can introduce unforeseen intermediary charges that directly reduce the frequency - and therefore the strategic value - of shareholder analysis.

UK policymakers should therefore preserve the strengths of the current regime while modernising its infrastructure, ensuring transparency is enhanced, not compromised, by future reform. The next DEMAT report with updates on Steps 2 and 3 is due to be published this summer, which we will provide updates on.

As a Group we will continue to advocate for better transparency, but not at a far greater expense. Active lobbying from all stakeholders, particularly Issuers, is essential to ensure Custodians do not shape outcomes in a way that preserves their advantages to the detriment of Issuers.

Summary table of differences

Area	Current position (UK s.792/s.793)	Potential change (DEMAT and/or SRD II-style model)
Trigger / ownership	Issuer-initiated notices; used when needed (episodic campaigns).	More automated and centrally controlled request/response flows; stronger dependency on market infrastructure and intermediaries.
Timeliness	Not real-time; manual workflows; point-in-time analysis with variable custodian response times.	Potentially faster responses via fixed service levels, but still not “live”.
Flexibility (when you can investigate)	High flexibility: ad-hoc investigations on the cadence the issuer chooses (daily/weekly/monthly/quarterly).	Structured protocols may constrain timing (in some EU markets, requests limited to AGM windows), reducing issuers’ ability to run ad-hoc investigations.
Depth of look-through	Typically very high look-through (article cites close to 99% visibility) with ability to pierce nominee/custody layers.	Threshold-based disclosure in some markets (e.g., 0.5% cited for Netherlands/Italy) could materially reduce visibility of the long tail of holders.
Standards / messaging	Direct communication with custodians; established processes for s.793 campaigns and s.808 register upkeep.	Migration toward ISO 20022 SWIFT-based messaging for 793-style requests; significant system overhaul for issuer agents and possible dual-channel operation if not all parties adopt SWIFT.
Cost model	No statutory fee burden; costs mainly administrative and generally predictable.	Risk of variable, intermediary-driven pass-through fees (France/Germany examples) making each exercise more expensive and harder to budget.
Strategic impact	Supports regular monitoring and rapid response to activism/stake building with low cost per report.	Higher marginal costs may reduce analysis frequency and agility.
Timeline / program context	Established regime under Companies Act 2006.	Digitisation Taskforce plan: abolish paper certificates and digitise registers (target end-2027), reform intermediated system, move to fully intermediated model; DEMAT to deliver Step 1 and advise on subsequent steps.