

# Personal Membership in CREST

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This leaflet is published as an aid to a general understanding of CREST, and due to its brief and preliminary nature, is not intended to constitute any particular representation, nor an invitation to treat in relation to the services to which it relates. A fuller description of the system and the terms on which it is provided by CRESTCo are contained in CRESTCo's formal contractual documentation available from CRESTCo. The tariffs quoted in this brochure are correct at the time of printing. **February 2000**

# Factsheet

CREST *Personal Membership* is a secure and cost-effective method of electronic own-name custody, offering the investor and stockbroker an alternative to paper certificates by holding securities in dematerialised stock accounts in the CREST system. Investors gain all the benefits of direct share ownership while being able to take advantage of shortening settlement periods.

 CREST

The electronic revolution in the retail stockbroking industry is dramatically changing the landscape of share dealing and custody by offering **new and alternative ways to deal and hold securities**. CREST Personal Membership offers investors electronic name-on-register shareholding, while brokers achieve efficient, low-cost, paperless settlement.

#### **Electronic “certificates”, economic settlement.**

Processing stock transfer forms and certificates can be an expensive and time-consuming task for clients and stockbrokers. As settlement cycles in the UK shorten to T+3, the only way to ensure that clients can trade in the same way as the wholesale market is to offer electronic “certificates”, either through a nominee service or a CREST Personal Member account. Regardless of the value or number of securities held, the annual charge for Personal Membership remains at only £10.

Personal Membership offers clients:

- own name on register;
- legal and beneficial ownership of securities;
- direct receipt of annual reports;
- direct receipt of corporate event information;
- the ability to attend and vote at AGMs or EGMs;
- the ability to trade for the same settlement period as the wholesale market; and
- economic and secure settlement.

The benefits of electronic shareholding compared with paper certificates are similar to the benefits of e-mail over the conventional postal system. Share trades in the UK are currently settled five business days after trade date; this will decline to T+3 in 2001 and to T+1 thereafter. The successful processing of physical paper in such a short period is difficult, and most stockbrokers encourage their certificated clients to trade for T+10 settlement. Personal Membership gives the broker and the client a realistic alternative to share certificates. Clients and brokers will have less paper to worry about and will never have the inconvenience and expense of replacing lost transfer forms or certificates. CREST Personal Membership is designed for the active private investor who, until now, has held paper certificates.

#### **How does an investor become a Personal Member?**

Once an investor has chosen a Sponsor, most likely a stockbroker, a CREST Admission Agreement must be completed and returned to the Sponsor. The Sponsor is required to forward the application to CREST along with an electronic message via their CREST gateway. CRESTCo then enables the investor as a Personal Member; this is a very quick process. Sponsors may obtain supplies of the Admission Agreement from CRESTCo's Membership Processing Department.

#### **How do stockbrokers or other firms become Sponsors?**

A CREST user may become a Sponsor of Personal Members by signing a CREST Sponsors Agreement and returning it to CRESTCo. Acting as a Sponsor is an authorisable activity under the Financial Services Act.

#### **How are certificated holdings converted into CREST holdings?**

The Sponsor will arrange for the Personal Member's existing share certificates, covered by a Dematerialisation Form, to be lodged at the appropriate registrar(s) for crediting into the investor's Personal Membership in electronic form.

#### **Who operates the Personal Member account?**

The Sponsor alone has access to, and can give instructions on behalf of, the Personal Memberships of his clients. The Personal Member should normally direct all questions about holdings and transfers to the Sponsor.

#### **Which securities are eligible to be held in a Personal Membership?**

All participating CREST securities can be held in a Personal Membership.

#### **Does this include international securities?**

International securities can be held in a Personal Membership, although Personal Members will not have a direct relationship with the overseas issuer of such securities.

#### **Who is eligible to open a Personal Member account?**

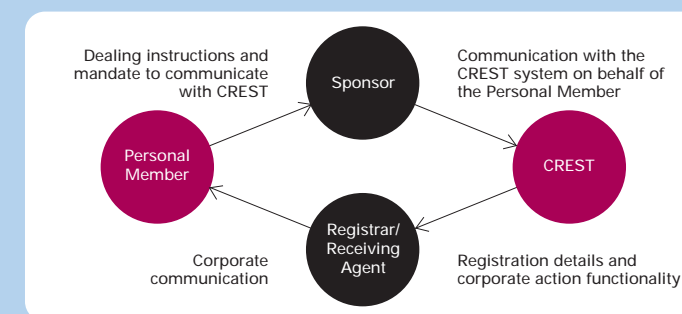
Investors who are over the age of 18 and who are living within the European Economic Area may become Personal Members.

#### **Does the Personal Member need a payment bank?**

A payment bank is needed for the Personal Member to make and receive payments in relation to the settlement obligations created as trades are settled. The Sponsor usually arranges for the payment bank facilities as part of the arrangements with his client.

#### **How do Personal Members vote and receive dividends?**

As a CREST Personal Member, the investor's name will appear on the register as the legal owner of the securities: all company information, dividend distributions and voting documentation are sent directly to the registered address of the Personal Member by the registrar.



#### **Can a Personal Member trade through other stockbrokers?**

Personal Members may trade through any stockbroker, although they must inform their Sponsor so that he can receive shares from, or deliver shares to, the broker through whom the shareholder traded.

#### **Does CRESTCo ever recover tariff directly from the Personal Member?**

CRESTCo will collect tariff charges in respect of the Personal Member's use of the CREST system from the Sponsor and not from the Personal Member.