

INTERMEDIATED SECURITIES IN A SECURITIES CLASS ACTION CONTEXT

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Legal Briefings - By **Simon Clarke, Harry Edwards and Sarah Penfold**

Herbert Smith Freehills LLP have published an article in *Butterworths Journal of International Banking and Financial Law* on intermediated securities in a securities class action context.

The majority of investors in the UK hold their interests through an intermediated chain of securities. The relationships between the investors in the chain are governed by the contracts they have entered into, and the system is largely operated on a “no look through” basis, meaning investors only have rights against their own counterparties. The Law Commission has considered whether to reform the law in this area, in order to give greater rights to ultimate investors. Any amendments to the current law may impact upon securities class actions. If the law is reformed to provide additional protections to ultimate investors, this could result in greater litigation risk for issuers, as well as an increased practical and administrative burden. However, there may also be some benefits to issuers from reform in this area; if ultimate investors are easier to identify, this can provide clarity to the issuer in relation to who might bring a claim against it, and enable the issuer to quantify any claims which it is facing more readily.

In our article we examine: what intermediated securities are, the legal consequences of holding intermediated securities, the Law Commission’s proposed reform of the existing law on intermediated securities, the potential solutions proposed by the Law Commission to reform the current law relating to intermediated securities, and the impact of the proposed reforms upon listed issuers.

The article can be found here: [Intermediated securities in a securities class action context.](#)

This article first appeared in the April 2021 edition of JIBFL.



If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



SIMON CLARKE
PARTNER, LONDON

+44 20 7466 2508
Simon.Clarke@hsf.com



HARRY EDWARDS
PARTNER,
MELBOURNE

+61 3 9288 1821
Harry.Edwards@hsf.com



SARAH PENFOLD
SENIOR ASSOCIATE,
LONDON

+44 20 7466 2619
Sarah.Penfold@hsf.com

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