

## I have share certificates, how can I sell them?

In most cases when companies sell you their shares, they will issue you with a certificate that represents your ownership in that company. As a shareholder you can go on to sell your shares in one of two ways:

Firstly you can search for someone who is willing to buy the shares from you (normally a family member, friend or colleague), then give or sell them the certificate. Once the shares have been transferred, you would then inform the company secretary of the transaction.

Alternatively you could do this through an exchange (like TROP-X) if that company is a public listed company. However given the number of daily transactions that happen on most exchanges, physical exchange of share certificates becomes difficult if not impossible.

For instance, In the late 1960's when the US markets still allowed the trading of physical share certificates, it suffered from what was known as the "Paperwork Crisis" whereby increasing trading volumes swamped brokers in paperwork and therefore they were unable to process transactions fast enough. There were instances when brokers had to process trading volumes of 12 million shares a day. This led the need to push for "Dematerialization" in the US financial markets.

Dematerialization is the process by which the investor's physical share certificates are converted to an equivalent electronic form and are held with a Depository to make them more easily tradable on an Exchange. A Depository is an organization that holds securities (like shares, bonds etc.) in electronic form at the request of investors through a registered Depository Participant (Broker). It maintains an electronic register of all shares that are held by investors. In some ways we can compare a depository to that of a bank.

<b>BANK</b>	<b>DEPOSITORY</b>
Holds funds in an account	Holds shares in an account
Makes transfers without having to handle physical cash	Makes transfers of ownership without having to handle physical shares
Acts a safe keep for money	Acts a safe keep for shares

### Why dematerialize shares?

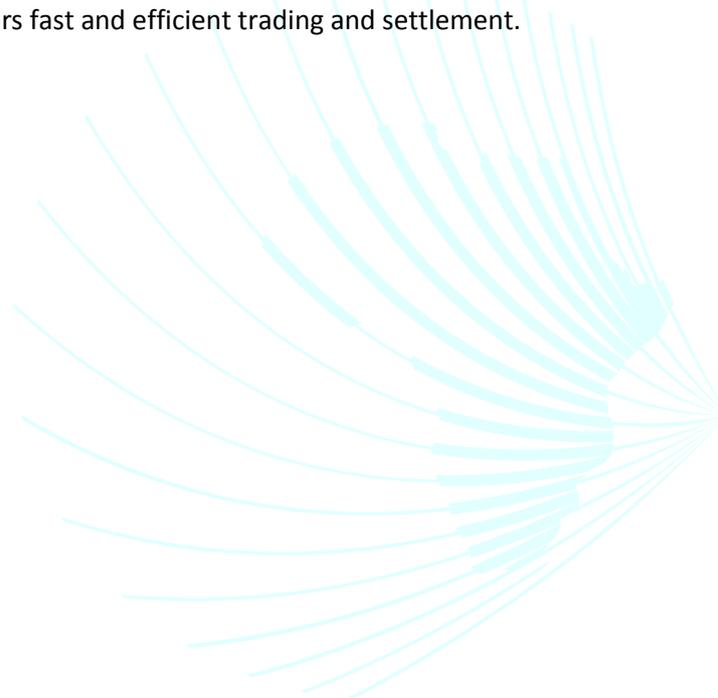
By dematerializing shares we remove a lot of the risks associated with trading in physical share certificates.

For instance investors would observe immediate transfer of shares, therefore ensuring faster payment on sale of shares. Transfer of physical share certificates can be subject to delays for multiple reasons such as signature mismatch, postal delays and loss or damage to certificates during transit. This in turn can lead to delay in receiving funds from selling shares. Dematerialisation also avoids the risk of fraudulent share certificates as the depository undertakes appropriate measures to check whether the physical share certificates are genuine or not.

Dematerialisation benefits companies as well as investors as the process reduces printing and distribution costs when issuing new shares. Furthermore it increases the efficiency of the company secretary in maintaining the company share register and allows the company to better communicate and provide timely services to shareholders and investors.

Brokers would also benefit as dematerialized shares reduces the risk of delayed settlement. Delays in receiving physical shares can lead to transactions being cancelled and therefore risk of shares not being sold at the required price, i.e. resulting in illiquidity. Dematerialized shares allow the majority of all shares traded to be settled on a regular basis. Brokers can also process dematerialized share transactions more efficiently.

Trop-X will only allow for trading of dematerialised shares in order to allow issuers, brokers and most importantly investors fast and efficient trading and settlement.



# T R O P - X