HMRC - STSM061010 - Introduction: Background

The Companies Act allows companies to issue `share warrants to bearer’ or `stock warrants to bearer’ provided the company’s Articles of Association allow it. These are commonly called bearer shares and/or bearer securities. Bearer shares are similar to registered shares giving the holder an entitlement to profits of a company i.e. dividends, and, provided certain conditions are complied with, the right to vote at general meetings.

Furthermore, bearer and registered shares trade at the same market share price.

Unlike ordinary company shares, however, the name of the owner of a bearer security is not recorded in the register of the company, so bearer shares can be sold without any necessity to notify the company registrar. There is no requirement for bearer shares to be registered. This is because a bearer certificate or instrument issued by a company to the initial subscriber does not show the name of the holder, so whoever holds a bearer instrument/certificate is considered to be the beneficial owner or ‘bearer’.

Dividends paid on bearer shares are not automatically issued by the company as the holder’s name is unknown to the company. Dividends are therefore claimed using coupons that are attached to the bearer certificate showing all future dividend dates in chronological order. The relevant coupon is forwarded by the holder to the company for dividend payment.

Ownership of a bearer certificate is extremely difficult to recover in the event of loss or theft as the name of the holder is not shown. Holding a bearer certificate is therefore, in practice, a riskier form of investment than registered shares. Anonymity of ownership however, provides some compensation.

The Glossary at STSM999999 provides guidance as to the meaning of ‘bearer share’ and ‘bearer certificate

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