HMRC - STSM071100 - Introduction: Corporate Actions

A corporate action is an event initiated by a public company which affects the price, liquidity or structure of the company’s securities (shares or debt). When a company announces a corporate action, the registrar informs all registered shareholders.

Many corporate actions are ‘mandatory’- the shareholders do not need to take any action for the event to take place. Examples of mandatory corporate actions include the issue of cash dividends, or bonus issues (STSM078020).

Some corporate actions are ‘mandatory events with options’, where the shareholders have a choice, for example whether to take their dividends in the form of cash or stock (STSM077060).

In the case of ‘voluntary’ corporate actions, shareholders have to choose whether to participate in the proposed event, for example in a tender offer on a takeover (STSM077010), in a buy-back offer (STSM075010) or a rights issue (STSM072000).

Companies undertake corporate actions for a variety of reasons:

To return profits to their shareholders (dividends, bonus issues)

To influence share price, improving liquidity (new share issues, buy-backs)

Corporate restructuring, to improve profitability (mergers, takeovers).

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