

Title: Don't loan your shares; if you have force shorts to close - info from Investopedia and Fidelity about how shorters return loaned shares AND dividends to owners and voting rights with shorted shares

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Created 2022-04-20 00:13:46 UTC

Permalink: /r/GME/comments/u7jh7k/dont_loan_your_shares_if_you_have_force_shorts_to/

Url: <https://www.reddit.com/gallery/u7jh7k>




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Dividends and other Payments

The short seller is responsible for making dividend payments on the shorted stock to the entity from whom the stock has been borrowed. The short seller is also on the hook for making payments on account of other events associated with the shorted stock, such as share splits, spin-offs, and bonus share issues, all of which are unpredictable events.

 ImANobodyWhoAreYou 17d ...




What happens if you have loaned out an investors shares?



 7  Reply 

 FidelityBilly  Community Care Repre... 16d ...

With a stock split the actual ownership proportions do not change. Using the same example as above. If someone was short 1 share of TSLA, that share was borrowed from someone and they would owe the person they borrowed from 4 shares of TSLA (the amount of the stock dividend). So at the end they would also end up short 5 shares of TSLA.



To use an example using \$, if TSLA was trading at \$500 for example before the split. This hypothetical person would be short 1 share valued at \$500. After the split they would be short 5 shares, each valued at \$100, for a total of being short \$500 of value.



 9  Reply 

 LunarPayload  2d ...

Would these additional shares only be due to the loaner/original owner when they actually recall the loan? If the shorter/borrower doesn't have to return the borrowed share, then they don't yet have to include the additional shares?

Why would the shorter/borrower not directly receive the dividends? If loaners/original owners lose voting rights and receipt of dividends while their shares are on loan, then is the shorter/borrower receiving those rights?

 1  Reply



 FidelityJohn  Community Care Rep... 16h ...

Thanks for reaching out to us on Reddit, u/LunarPayload.

The original shares that were borrowed, and the additional shares that were issued as the result of a stock split or dividend, would need to be returned to the original owner of the shares when the short position is closed.

When someone borrows shares to sell short, the client who is long those shares is entitled to the dividend. If you are short a stock, and it pays a dividend, Fidelity will automatically debit the dividend from your account and deposit it into the account of the original purchaser of the shares, since they are entitled to that dividend. However, the original owner and the borrower of the shares are not entitled to voting rights once the shares have been borrowed. Once the shares have been returned, the original owner is able to vote.

[Learn more about shorting stocks here](#)

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