



GLOBAL DEPOSITORY RECEIPT

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ABSTRACT

There has been increased internationalization of various firms through direct as well as indirect cross listing on international exchange .depository receipts is a form of indirect listing the DR regulatory framework in four capital market Taiwan , Brazil , Hong kong , and India has been analysed and compared in this paper . The analysis shows that the DR regulation in these capital market can be categorized into to

Guide lines:

1. A strictly regulated one
2. A sparsely regulated market

KEYWORDS : Depository receipts, Capital market**INTRODUCTION**

A DR is a type of negotiable (transferable) financial security traded on a local stock exchange but represents a security, usually in the form of equity, issued by a foreign, publicly-listed company. The DR, which is a physical certificate, allows investors to hold shares in equity of other countries. One of the most common types of DRs is the American depository receipt (ADR), which has been offering companies, investors and traders global investment opportunities since the 1920s.

Since then, DRs have spread to other parts of the globe in the form of global depository receipts (GDRs). The other most common type of DRs are European DRs and International DRs. ADRs are typically traded on a US national stock exchange, such as the New York Stock Exchange (NYSE) or the American Stock Exchange, while GDRs are commonly listed on European stock exchanges such as the London Stock Exchange. Both ADRs and GDRs are usually denominated in US dollars, but can also be denominated in Euros.

In essence, GDRs represent an equity-linked financial instrument deriving value from the underlying shares of the issuer company, and a GDR holder can convert his GDRs to receive a proportionate number of shares in the issuer company. GDRs are capable of carrying many attributes of a share; that is, they can have economic rights (including to receive dividends), and if so provided in the GDR arrangements, voting rights in a company. At the same time, GDRs have the advantage of being a security tradeable in a more investor-friendly currency (most GDRs are denominated in dollars, pounds or euros) in possibly a more developed market offering greater liquidity. From the perspective of an institutional investor eyeing the stock of an Indian company, GDRs of such a company would be a natural choice considering, in addition to the aforesaid reasons, that GDRs are exempt from the Indian tax regime (until they are exchanged with the shares of the company).

HISTORY OF GLOBAL DEPOSITORY RECEIPT

In April 1990, a new instrument, referred to as Rule 144A was adopted, which gave rise to private placement depository receipts, which were available only to qualified institutional buyers (QIBs). This type of DR programs gained its popularity quickly and it is very frequently employed today.

The ADRs were originally constructed solely for the needs of American investors, who wanted to invest easily in non-US companies. After they had become popular in the United States, they extended gradually to other parts of the world (in the form of GDR, EDR or IDR). The greatest development of DRs has been recorded since 1989.

In December 1990, Citibank introduced the first Global Depository Receipt. Samsung Corporation, a Korean trading company, wanted to raise equity capital in the United States through a private placement, but also had a strong European investor base that it wanted to include in the offering. The GDRs allowed Samsung to raise capital in the US and Europe through one security issued simultaneously into both markets.

In 1993, Swedish LM Ericsson raised capital through a rights offering in which ADDs were offered to both holders of ordinary shares and DR holders. The Ericsson ADDs represented subordinated debentures that are convertible into ordinary shares or DRs. German Daimler Benz AG became the first European Company to establish a Singapore depository receipts program (SDRs) in May 1994.

THE CHARACTERISTIC OF GLOBAL DEPOSITORY RECEIPT

1. GDR's are issued to investors in more than one country and may be denominated in any acceptable freely convertible currency.
2. GDR's are issued to investors by the depository bank and not the issuing company. This means that in the books of issuing company, the depository bank appears as the shareholder. GDR holder therefore does not acquire any voting rights. The voting rights accrue only to the depository bank.
3. Although the GDR is quoted and traded in a foreign currency the underlying shares are denominated in INR. Thus the GDR derives its value through the price of the underlying shares and the current exchange rate. It is therefore exposed to exchange rate risk.
4. GDR holders have the option of cancelling GDR's and arranging sale of the underlying shares in the domestic market if the international price is less than the corresponding domestic price. This provision can however be used only after a "Cooling off" period of 45 days from the date of the issue.
5. GDR holders are entitled to all corporate benefits available to equity holders such as dividend, bonus and rights in the same proportion as their entitlement.
6. The foreign currency funds acquired by the company through a GDR issue are permitted to be used for any normal business activity, but cannot be used for trading in international securities or real estate.

PROCEDURE FOR ISSUING GLOBAL DEPOSITORY RECEIPT**To find the Depository bank**

Depository bank has only right to issue the GDRs. So, it is necessary to find depository bank in USA and other European countries.

Issue the Shares to Depository bank

Shares cannot issued to foreign investors. But shares are issued to

depository bank and depository bank will accept the shares of Indian companies as the custodian of foreign investors.

Deposit the fees

For issuing GDRs, either investors or Company has to deposit the fees for issuing the certificate named global depository receipt.

Issue of GDRs and Record

Depository bank has right to issue one GDR certificate for 2 to 10 shares. The issue of GDRs to those investors who will pay the amount of shares of Indian companies. After this, it will be assumed that USA or other foreign countries' investors have acquired the shares of Indian companies. Indian company gets money of shares through depository banks. On the other side, foreign investors' name registered and they will get dividend through this bank in USA Dollar. Not only Indian companies but many other developing countries' companies are using same procedure for getting fund through GDRs. This year, a Kuwaiti investment company successfully issued shares in the form of Global Depository Receipts (GDRs) to foreign investors. After issuing GDRs, these shares can deal in any foreign stock exchange and GDRs will be one of the security type in stock exchange list of stocks.

BENEFITS OF GLOBAL DEPOSITORY RECEIPT BENEFITS TO THE COMPANY

- Expanded market share through broadened and more diversified investor exposure with potentially greater liquidity, which may increase or stabilize the share price
- Enhanced visibility and image for the company's products, services and financial instruments in a marketplace outside its home country
- Flexible mechanism for raising capital and a vehicle or currency for mergers and acquisitions
- Enables employees of U.S. subsidiaries of non-U.S. companies to invest more easily in the parent company

BENEFITS TO THE INVESTOR

- Quotation in U.S. dollars and payment of dividends or interest in U.S. dollars (or in general, a person's home currency)
- Diversification without many of the obstacles that mutual funds, pension funds and other institutions may have in purchasing and holding securities outside of their local market
- Elimination of global custodian safekeeping charges, potentially saving Depository Receipt investors up to 10 to 40 basis points annually
- Familiar trade, clearance and settlement procedures
- Competitive U.S. dollar/foreign exchange rate conversion for dividends and other cash distributions
- Ability to acquire the underlying securities directly upon cancellation

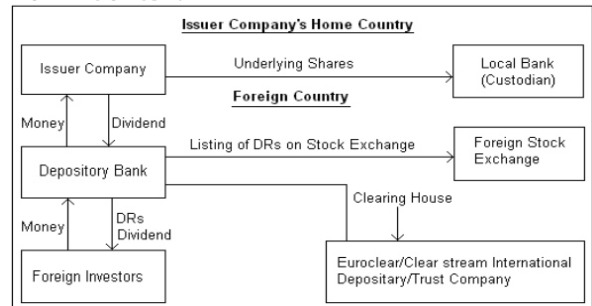
CURRENT SCENARIO

1. The RBI release notified that "the foreign shareholding by Global Depository Receipt (GDR)/American Depository Receipts (ADR)/Foreign Direct Investment (FDI)/Non-Resident Indian (NRI)/Persons of Indian Origin (PIO)/Foreign Institutional Investors (FIIs) in Axis Bank has crossed the overall limit of 49 per cent of its paid-up capital and that no further purchases of shares of the bank would be allowed through stock exchanges in India on behalf of GDR/ADR/FDI/NRI/PIO/FIIs."
2. Axis Bank's equity shares are listed on the Bombay Stock Exchange and National Stock Exchange of India. The company's global depository receipts (GDRs) are listed on the London Stock Exchange. The Bonds issued by the Bank under the MTN programme are listed on the Singapore Stock Exchange. It is listed on the BSE with a BSE Code of 532215 and the NSE with an NSE Code of AXISBANK
3. Indian investors holding government debt or equity in a company may soon be able to encash these overseas at attractive prices through liberalised access to the American

depository receipt (ADR) and global depository receipt (GDR) markets. India is readying a big-bang overhaul of norms governing overseas fund raising that will allow local companies and institutions access to the entire range of the ADR/GDR markets. –THE ECONOMIC TIMES

4. Public sector lender State Bank of India (SBI) today said it proposes to raise up to Rs 15,000 crore from various means, including public offer and overseas issuance of shares, in the next 14 months. The fund would be raised either through follow on public issue, qualified institutional placement, Global Depository Receipt, American Depository Receipt
5. Hinduja group flagship firm Ashok Leyland BSE 1.23% will delist its Global Depository Receipts (GDRs) from the London Stock Exchange. The board of the company, in a meeting held last week, had approved the proposal in this regard, Ashok Leyland informed the BSE in a filing. The board of directors of the company at its meeting held on March 5, 2016, had approved the proposal to delist the GDRs of the company from the London Stock Exchange, the company said.
6. The Union Budget for 2016-17 is likely to exempt unsponsored American depository receipts (ADRs) and global depository receipts (GDRs) based on underlying Indian securities from capital gains tax. The move could be aimed at encouraging such listings. Besides, such exemptions might also come for ADRs and GDRs based on Indian unlisted stocks and securities other than equities.
7. The equity shares of SBI are listed on the Bombay Stock Exchange, where it is a constituent of the BSE SENSEX index, and the National Stock Exchange of India, where it is a constituent of the CNX Nifty. Its Global Depository Receipts (GDRs) are listed on the London Stock Exchange. As on March 31, 2017, the Government of India held around 61.23% equity shares in SBI. Life Insurance Corporation of India is the largest non-promoter shareholder in the company with 8.82% shareholding.

WORKING OF GDR:



TOP 5 LIST OF INDIAN GLOBAL DEPOSITORY RECEIPT

The complete list of Indian GDRs trading in the London, Singapore and Luxembourg exchanges and on the Portal as of Dec, 2016 are shown in the table below:

S.No.	Company	Ticker	DR Venue	RATIO DR:ORD	Industry	Depository Bank
1	Amtek Auto - Reg. S	AMKD	London Stock Exchange	1:02	Automobiles & Parts	BK
2	Axis Bank - 144A	AXBA	London Stock Exchange	1:05	Banks	BK
3	Axis Bank - Reg. S	AXB	London Stock Exchange	1:05	Banks	BK
4	Bajaj Holdings & Investment - Reg S	BAUD	London Stock Exchange	1:01	Automobiles & Parts	DB
5	Crompton Greaves - 144A	CGVA	London Stock Exchange	1:05	Electron. & Electric Eq	BK

CONCLUSION

It can be said that the use of GDRs enables individuals to have access to the capital markets of the foreign company without any concerns regarding currency, language, or tax laws. The issuance of GDRs increases the liquidity of the firms. Further, the holder of GDRs has same rights as that of equity shareholders. Companies that issue GDRs benefit as well, by gaining access to more potential investors. The companies have an opportunity to raise additional capital GDRs offer the opportunity to broaden the company's base of shareholders and to raise additional capital. This helps the company in emerging markets thereby increasing the prospects of such company to grows

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