

BHARAT SCHOOL OF BANKING

Depository Receipts (DR) ADR and GDR

Depository Receipts (DR)

A **publicly listed** (stock exchange listed) **company** might want to raise money from **foreign** countries (in contrast to its domestic country). So it will list its **securities** (stocks or equities) to a foreign country's **stock exchange** in form of **Depository Receipts (DR)**.

Therefore, **DRs** are a type of negotiable financial security (usually **stocks/equity**) by a **foreign publicly listed** company, which are **traded** on a **local Stock exchange** (e.g., american company trading on Bombay Stock Exchange).

Example -

An American company (publicly listed in **New York Stock Exchange**, or any other stock exchange in USA) might want to raise money from **foreign countries** (like, India). So, it will list its **securities** in Indian stock exchanges (may be **Bombay Stock Exchange**) by means of **Depository Receipts**. Then **Indian investors** can **invest** in these securities.

American Depository Receipts (ADR)

Depository Receipts were first started in **USA** in late **1920s**. DRs issued by any company of **USA/America** will be known as **American Depository Receipts (ADR)**. ADRs, generally, are traded in **US Dollar**.

Global Depository Receipts (GDR)

DRs became popular in other parts of the world after its introduction in USA. DRs of all other countries (other than USA) will be known as **Global Depository Receipts (GDR)**.

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Issuance of DRs

When a **foreign company** intends to list its **securities** on another country's **stock exchange**, it goes through **DR mode**. Steps -

1. The **shares** of the foreign company (which the **Depository Receipts** represent) are **delivered** and **deposited** with the **custodian bank** (bank that facilitates the company's DR).
2. On **receipt** of the delivery of **shares**, the **custodian bank** creates **Depository Receipts** (DR) and issues to **investors** in the country (investor's country, not company's country)
3. These **DRs** are then **listed** and **traded** in the **local stock exchange** of that country.