For many quoted companies, making their shares accessible to investors outside their home market, particularly to investors based in the United States is a key goal. Businesses may wish to raise new capital abroad, diversify their shareholder bases to cover a more international spread, improve their profiles with foreign investors, or use their shares to make acquisitions overseas.

However, investors may encounter difficulties in buying shares in foreign companies. The reasons for this are varied, but significant disincentives are created for investors by prohibitions or limitations on buying shares outside their domestic markets and the burden of administering foreign holdings – including the necessity to manage investments in multiple foreign currencies.

One of the most effective, and often one of the easiest, methods for companies to achieve a wider distribution of their shares is through the establishment of a depositary receipt programme. For more than 75 years depositary receipts have, in effect, converted domestic shares into international shares. In the case of American depositary receipts (ADR), non-US shares have been converted into domestic US securities denominated in US dollars. As a result, many of the main obstacles for overseas investors are removed.

ADRs are created when a broker, acting on behalf of a potential ADR investor, purchases domestic shares in a non-US company and places them in custody with a depositary bank. The depositary bank then issues US dollar denominated receipts conveying beneficial ownership of those shares. These depositary receipts are deemed by the United States securities and Exchange Commission to be domestic US securities, and they trade and settle in the United States.

Global depositary receipts (GDR) work on the same principle, with trading and settlement taking place in Europe and, if they are placed with qualified US buyers, in the United States. GDRs are most often denominated in US dollars or in Euro.

There are several different depositary receipt structures available depending on the requirements of the issuing company.

**Level I**

**American depositary receipts**

These ADRs, which do not involve the raising of capital or a listing on a US stock exchange, allow for increased exposure to US-based investors with minimal additional reporting obligations, through trading on the US over-the-counter (OTC) market.

**Level II**

**American depositary receipts**

These ADRs, which do not involve the raising of capital, are listed on leading US stock exchanges and offer additional exposure to US domestic investors, including those who may only invest in US-listed securities.

**Level III**

**American depositary receipts**

These ADRs are used to raise new capital and are listed on leading US stock exchanges. They provide the maximum exposure to the US investment community.

**Regulation S**

Global depositary receipts

These GDRs can be either listed on a European stock exchange or unlisted. They may be used to raise capital, most often in US dollars or in Euro. These GDRs are not generally available to US resident investors.

**Rule 144A**

Global depositary receipts

These GDRs are used to raise capital but are placed exclusively with Qualified Institutional Buyers (as defined by the United States Securities and Exchange Commission) in the United States. Because of the sophistication of the investor base to which these GDRs are restricted, registration and reporting requirements are minimal. Rule 144A GDRs are often placed with US investors in conjunction with a Regulation S GDR offering to non-US investors.
The Deutsche Bank advantage

As one of the world’s leading depositary banks, Deutsche Bank delivers a comprehensive service covering all aspects of administration for both ADRs and GDRs.

Our core services include:
- Custody of the issuer’s domestic shares in the local market
- Issuance of depositary receipts
- Receipt of dividend payments from the company, conversion into the currency of the depositary receipts, and distribution to the depositary receipt investors
- Registrar services for the depositary receipts
- Transmission of shareholder information to the depositary receipt holders, including proxy forms, annual reports and other corporate action materials
- Issuer reporting, providing information to the company on the activity of its depositary receipt programme
- Cancellation of depositary receipts and release of the underlying shares to the investor or designated broker
- Tax reclaim services for investors in many countries
- Controlled pre-release facilities for broker dealer to facilitate a more liquid depositary receipts market

Our role as a depositary bank is wholly independent of the function of the lead manager, financial advisor or arranger of any depositary receipt programme, and while we are pleased to work with our colleagues when Deutsche Bank is underwriter, we also pride ourselves on the close working relationships we have established with many of the other leading investment banks active in the international capital markets.

Features

Deutsche Bank goes much further than providing core operational services. We act as a vital intermediary between the issuing company and its depositary receipts investors in process management and information flow, thereby minimising the administrative burden on the issuing company and ensuring depositary receipt investors receive the most efficient service possible.

Issuer manager

Deutsche bank has a wealth of experience in establishing and maintaining depositary receipt programmes, with specialists in Hong Kong, London, Moscow, Mumbai, New York, Sao Paulo and Sydney providing local knowledge and expertise across different time zones. Our dedicated issuer management team offers clients a single point of contact for all programme related issues. And, through our secure proprietary depositary receipt website, www.adr.db.com, we deliver a range of information both to issuers, on a confidential basis, and to the wider market.

Market distribution

Our market distribution desks in London and New York deliver a timely and responsive service to brokers and investors globally, ensuring that the process of transferring between depositary receipts and domestic shares is seamless. Our same-day issuance capability ensures that shareholders receive a fast and cost effective service. Additionally, Deutsche Bank’s market distribution teams support depositary receipt programmes by providing specialist information to our extensive international database of key industry contacts.

Investor relations advisory

One of the areas in which Deutsche Bank distinguishes itself is in the provision of investor relations guidance to clients. As well as delivering regular shareholder analysis and market perception studies, we can create a tailored investor relations programme incorporating specific client requirements, to target the relevant investor and broker markets.

Benefits

Using Deutsche Bank’s depositary receipt services offers clients a range of significant advantages.

Market confidence

As one of the world’s largest and strongest financial institutions, Deutsche Bank’s name inspires market confidence.

Client centricity

We aim to provide the best possible depositary receipt service in the market. Every client is important to us, and we maintain a high ratio of specialist relationship managers to clients to make sure we stay focused on their needs.

Expertise

Our depositary receipts team is part of a group of over 1,100 professionals who specialise in providing trust, paying agency and administrative solutions to corporates, financial institutions and government agencies worldwide. The breadth of experience allows us to provide clients with all the services they need in an expert environment.

Global presence

Our fully integrated specialist locations worldwide are part of Deutsche Bank’s network of offices in more than 70 countries. With our global reach and local knowledge, we can tailor our services to match every client’s requirements.

Visit www.adr.db.com: Comprehensive information for our issuer clients, investor and brokers.

For more information
Visit db.com/gtb, email gtb.marketing@db.com or follow us on Twitter @talkgtb.