



**Enabling issuers to reach investors located  
outside their home markets while reducing  
the risk of cross-border investment**



**EQUITY MARKET**

**Depository Receipts: Issuer Information**

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Johannesburg  
Stock Exchange

South African Depository Receipts (SADRs) are not actual shares, but receipts representing shares. They are handled and traded just like shares. They offer the same economic, corporate and voting rights enjoyed by an investor holding underlying shares directly. A SADR may represent one share, several shares or a fraction of a share, so its price may differ from that of the share it represents, but should be reflective of the price.

Depository receipts have become a globally accepted, flexible instrument, enabling issuers to reach investors located outside their home markets while reducing the risk of cross-border investment, eg. foreign legislation, transaction costs and delays as well as complicated settlement transaction processes.

## Benefits to Issuing Companies

SADRs offer companies/issuers a simpler and more flexible mechanism to listing on the JSE. It may also be more cost effective and efficient.

### Depository Receipt advantages for Companies may include:

- ▶ SADRs offer a flexible mechanism for raising capital and a vehicle for mergers and acquisitions
- ▶ SADRs offer non-SA companies access to South African Financial Markets
- ▶ SADRs broaden and diversify a company's investor base
- ▶ Enhance a company's visibility, presence, status and profile in South Africa and internationally, among investors, consumers and customers
- ▶ Expanded market share through broadened and more diversified investor exposure with potentially greater liquidity in the home market, which may increase or stabilise the share price
- ▶ Increase research coverage on a company and its performance
- ▶ Traded in local currency – South African Rands
- ▶ A company's dividends are paid and corporate action notifications delivered in South African currency and language
- ▶ Enhance visibility and image for the company's products, services and financial instruments in a marketplace outside its home country
- ▶ Enables employees of South African subsidiaries of non-South African companies to invest more easily in the parent company eg. share incentive schemes



## Listing Depository Receipts

The first consideration for a company is their desire for a foreign listing. Once this decision has been made the next consideration is the ease of listing on a foreign market, or the extent of the link between the home and foreign market.

This link could be defined as the structure of the domestic and foreign markets ie. the link created by a Central Securities Depository (CSD) to CSD link, Transfer Secretaries or Depository Receipt Bank and corporate actions processing support.

### Listing SDRs on the JSE:

- ▶ Possible lower cost
- ▶ Faster and easier to implement
- ▶ Less onerous management involvement
- ▶ Less onerous reporting requirements
- ▶ Less onerous regulatory requirements
- ▶ Easier, faster and less costly to de-register SDRs

South African Depository Receipts are listed according to Section 19 Depository Receipts of the JSE Listing Requirements

### General Requirements:

- ▶ Issuing Company must confirm that it has a primary listing on another exchange and
  - ▶ That the exchange is a member of the World Federation of Exchange (WFE); or
  - ▶ The issuer has subscribed capital of at least R500m
- ▶ All company announcements released on the home exchange must be released on the JSE at the same time or a suitable time as agreed by the JSE
- ▶ Issuer must appoint a Depository Bank
  - ▶ And confirm that the assets are held in a trust
  - ▶ And that the Depository has a solvency guarantee from the arranger
  - ▶ Has a management agreement with a Depository as well as an alternative Depository over the life of the structure
- ▶ Issuer must have a Deposit Agreement in place with a Depository which satisfies the JSEs requirements
- ▶ Issuer must appoint a sponsor
- ▶ Depository must be independent of the Issuer
- ▶ SDRs must be fully covered at all times
- ▶ SDRs must be fully paid up and freely transferable It must be a *sponsored* SADR
- ▶ 20% of listed DRs must be held by the public and the number of public DR holders must be at least 50, unless a market maker is appointed.

### Types of fees to consider:

- ▶ Sponsor fees
- ▶ Depository Bank fees
- ▶ Listing fees



## Approximate timing of issuance process and procedures

| Item  | Week Commence | Week Complete | Party Responsible                             |
|---|---------------|---------------|---|
| Appoint Depositary Bank, Law Firm, JSE Sponsor                | 1             | 1             | Issuer  |
| Prepare Exchange Listing Application                          | 1             | 5             | Issuer/ Sponsor                               |
| Submit Exchange Listing Application (dependant on above step) | 1             | 5             | Issuer/ Sponsor                               |
| Prepare Letter of Agreement for review and signing            | 1             | 3             | Depositary Bank                               |
| Prepare and submit Deposit Agreement                          | 2             | 8             | Depositary Bank, Issuer, Council              |
| Request ISIN number, appoint local Custodian                  | 6             | 6             | Depositary Bank                               |
| JSE and STRATE are notified of trading date                   | 7             | 7             | Depositary Bank                               |
| Trading of SDRs commences                                     | 8             | Ongoing       | All parties                                   |
| Announcements distributed to investment                       | 8             | 8             | Depositary Bank community and financial media |

### For additional information contact:

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