



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

**JSE**

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**EQUITY MARKET**

**Unsponsored Depository Receipts: Issuer Information**

[www.jse.co.za](http://www.jse.co.za)



Johannesburg  
Stock Exchange

Un-sponsored Depository Receipts (UDRs) are not actual shares, but receipts representing shares. They are treated and traded just like shares. An UDR is subject to a DR ratio whereby the UDR may represent one share, several shares or a fraction of a share, so its share price may differ from that of the share it represents. Depository receipts have become a globally accepted, flexible instrument, this enables issuers to reach investors located outside their home markets while reducing the risk of cross-border investment, e.g. foreign legislation, transaction costs and delays as well as complicated settlement transaction processes.

## Benefits to Issuers

UDRs offer issuers a simpler and more flexible mechanism to listing foreign entities on the JSE. It may also be more cost effective and efficient. UDR issuers are typically depository banks independent of the underlying foreign company.

### UDR Advantages for Issuers may include:

- ▶ A flexible mechanism for raising capital and a vehicle or currency for mergers and acquisitions
- ▶ A much less onerous approach to making foreign company shares available to the market as no formal agreement exists between the UDR issuer and the foreign company in question
- ▶ Offering non-SA company exposure to the South African Financial Market
- ▶ The ability to offer UDRs to investors that will broaden and diversify the investor's portfolio
- ▶ The opportunity to enhance an issuer's presence, status and profile in South Africa and internationally, among investors, consumers and customers
- ▶ Expanding 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
- ▶ Traded in local currency – South African Rands
- ▶ Ensuring the company's dividends are paid and corporate action notifications are delivered in South African currency and language to UDR holders
- ▶ Enhancing the visibility and image of the issuer's products, services and financial instruments



### **Listing UDRs 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 UDRs

UDRs are listed according to Section 19 – Specialist Securities of the JSE Listing Requirements.

### **General Requirements:**

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- ▶ The depository bank must be a member of the Banking Association of South Africa and regulated under the Banks Act of 1990 or the equivalent foreign legislation in the case of foreign issuers:
  - ▶ Must prove to the JSE that it has the relevant expertise to issue securities or has the access to such expertise;
  - ▶ Must be generally acceptable to the JSE, having regard primarily, but not only, to the interests of investors and the objects of the FMA;
  - ▶ Must be in conformity with the applicable laws of its place of incorporation,
- ▶ The depository bank may act as a sponsor and manage the submission of relevant documentation to the JSE
- ▶ The depository bank must confirm that the underlying company referenced by the UDR, is sufficiently liquid and has a primary listing on another exchange and
  - ▶ That the exchange is a member of the World Federation of Exchange (WFE); or
  - ▶ The underlying company has subscribed capital of at least R500m
- ▶ The depository bank must be independent of the underlying entity unless otherwise agreed to by the JSE
- ▶ The depository bank must maintain adequate arrangements to safeguard DR holders' rights to the securities to which the UDRs relate
- ▶ The depository bank must hold in trust or custody, for the sole benefit of the holders of UDRs, the securities to which the DRs relate
- ▶ The UDRs must be fully covered at all times;
- ▶ The UDRs must be fully paid up and freely transferable;



- ▶ The depository bank must have unsponsored terms and conditions for UDRs which must provide for the following:
  - ▶ The status of UDRs as instruments, that have been deposited via the depository
  - ▶ The status of beneficial holders of UDRs as legal owners of those UDRs
  - ▶ The role and duties of the custodian, if applicable
  - ▶ The mechanism for the issue and registrations of UDRs by the depository bank upon receipt of securities
  - ▶ The right of UDR holders to surrender UDRs to be cancelled in exchange for the delivery of the shares which the UDRs represent
  - ▶ The right of UDR holders to corporate action entitlements which should be addressed by the depository bank
  - ▶ The conditions and process for the issue of new UDRs, or any UDR that is lost, destroyed etc, if applicable
  - ▶ A clear statement of the fees and charges payable by UDR holders
- ▶ The depository bank must make any documentation, financial information, price-sensitive information on another exchange or public information on the underlying entity available via a SENS announcement specifying the web link, by no later than one business day

**For additional information contact:**

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