



Understanding Depository Receipts

Definition

- A depository receipt (DR) is a transferable financial security that is traded on a local stock exchange.
- A DR represents an underlying security, that is issued by a foreign publicly listed company.
- DRs are a popular way of allowing local investors to buy and sell ownership/interest of foreign companies.

Characteristics of Trinidad and Tobago Depository Receipts (TTDRs)

- Trades on the Trinidad and Tobago Stock Exchange (TTSE)
- Traded in Trinidad and Tobago dollars
- Pays dividends in \$TT
- Provides voting rights
- Provides the option of conversion to the underlying foreign security

Types of DRs

Sponsored DRs

- Foreign share issuers actively register with the Trinidad and Tobago Securities and Exchange Commission (TTSEC) to have their securities traded in T&T and takes ownership in the administration of the programme

Un-sponsored DR

- Brokers and DR Issuers arrange and administer DR programmes to satisfy local investor appetite for foreign securities without any action by the foreign share issuer

Trading TTDRs

Purchase Process

Your broker can acquire DRs in two ways:

1. Purchase TTDRs already in circulation on the TTSE, similar to other local equities or;
2. 'Create' a TTDR by acquiring the foreign underlying security and lodging it with a custodian

Sale Process

Your broker can dispose of your DRs in two ways:

1. Sell their TTDRs on the TTSE, similar to other local equities or;
2. 'Cancel' the TTDR by converting the DR to the underlying security and selling it on the foreign market

Benefits to Investors

- Portfolio diversification
- Eliminates currency conversions when investing abroad since TTDRs will be quoted in TT\$
- Foreign brokerage and transaction costs are eliminated
- Local investors get an opportunity to own foreign companies operating in T&T
- Familiar and convenient trading, clearance and settlement arrangements

Key Benefits of Depositary Receipts

- Increased trading activity in the local market
- Absorption of some liquidity in the T&T economy thereby reducing inflationary pressures
- Contribution to the deepening of the T&T capital market and the development of T&T as an International Financial Centre
- Generation of fees and income for local financial market participants.