20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **ADR (American Depository Receipt) lets a foreign company's shares be offered to US investors via a US depository bank.**
   The US depository bank issues the ADR against shares it holds in the foreign company.

2. **GDR (Global Depository Receipt) lets companies raise capital from investors in multiple countries outside the US.**
   GDRs are commonly listed on exchanges like London or Luxembourg.

3. **A depository receipt is a negotiable instrument issued by a bank representing shares of a foreign company, traded locally.**
   The issuing bank holds the actual shares and issues receipts against them for local investors.

4. **ADRs are always denominated in US Dollars.**
   This is a fixed feature that distinguishes ADRs from GDRs, which can use any convertible currency.

5. **GDRs can be denominated in any freely convertible currency.**
   This multi-currency feature makes GDRs accessible to investors worldwide.

6 **ADRs trade only in the United States, mainly on the NYSE or NASDAQ.**
The ADR market scope is limited to the US, unlike the GDR's global scope.

7 **GDRs trade in global markets outside the US, commonly in London and Luxembourg.**
GDR scope covers multiple countries simultaneously, not just one.

8 **A sponsored ADR involves a formal agreement between the foreign company and one US depository bank.**
This formal, contractual arrangement is a key exam distinction from non-sponsored ADRs.

9 **Non-sponsored ADRs are created by brokers or dealers without the foreign company's formal involvement.**
This lack of formal agreement is the defining feature examiners test.

10 **Non-sponsored ADRs trade over the counter and generally do not require full SEC registration.**
This contrasts with sponsored ADRs, which are exchange-listed and SEC-regulated.

11 **Sponsored ADRs fall under the oversight of the US Securities and Exchange Commission (SEC).**
SEC oversight enforces disclosure and compliance for sponsored ADRs.

12 **Multiple depository banks may issue non-sponsored ADRs for the same foreign stock.**
This is unlike sponsored ADRs, which involve just one depository bank.

13 **For Indian issuers, the RBI and SEBI govern depository receipt issuance and conversion.**
Indian companies raising funds abroad via ADR or GDR must comply with RBI and SEBI rules.

14 **A simple memory hook for the exam is: ADR means America, GDR means Global.**
This hook helps candidates quickly recall the market scope of each instrument.

15 **In a GDR, the underlying shares stay in the issuer's home currency even though the receipt may use another currency.**
For Indian companies, the underlying shares remain denominated in Indian Rupees.

16 **GDR holders can typically convert receipts into equity shares through a local custodian after a specified period from issue.**
Conversion timelines can change, so candidates should verify current scheme rules.

17 **GDR holders are entitled to dividends and bonus shares declared on the underlying shares.**
This entitlement is one of the key features of holding a GDR.

18 **Depository receipts let companies raise foreign capital without listing directly on a foreign stock exchange.**
A depository bank acts as an intermediary, issuing receipts against the shares it custodies.

19 **Banks act as custodians in ADR and GDR arrangements, holding the underlying shares safely.**
Banks also handle dividend remittance and foreign-exchange conversion in these arrangements.

20 **ADR and GDR are high-yield topics under capital markets and cross-border finance in the JAIIB LRAB syllabus.**
Examiners commonly test their types, features, currency, regulators, and key differences.