20 True or False

Decide, then check the answer and reason below each statement.

Question 1

An ADR lets a foreign company's shares be offered to US investors through a US depository bank.

TRUE

The US depository bank issues the ADR against shares it holds in the foreign company.

Question 2

A GDR is always issued and denominated only in US Dollars.

FALSE

A GDR can be denominated in any freely convertible currency, not only US Dollars.

Question 3

GDRs are commonly listed on exchanges such as the London Stock Exchange or Luxembourg Stock Exchange.

TRUE

Indian companies often use the London or Luxembourg exchanges to list GDRs.

Question 4

ADRs are meant to be listed and traded on stock exchanges in India.

FALSE

ADRs are listed on US exchanges like NYSE or NASDAQ and target American investors.

Question 5

A sponsored ADR involves a formal agreement between the foreign company and a single US depository bank.

TRUE

This structured, contractual arrangement distinguishes sponsored ADRs from non-sponsored ones.

Question 6

A non-sponsored ADR requires full SEC registration and is listed on a main US exchange.

FALSE

Non-sponsored ADRs generally trade over the counter and do not require full SEC registration.

Question 7

Non-sponsored ADRs can be issued by multiple depository banks for the same foreign stock.

TRUE

This is a key exam distinction from sponsored ADRs, which involve one bank.

Question 8

The Reserve Bank of India has no role in regulating depository receipt issuance by Indian companies.

FALSE

The RBI, along with SEBI, regulates depository receipt issuance for Indian companies.

Question 9

SEBI and the RBI together regulate depository receipt issuance for Indian companies.

TRUE

Indian issuers of ADRs or GDRs must comply with RBI and SEBI rules.

Question 10

One ADR must always represent exactly one full share of the foreign company.

FALSE

An ADR can represent a fraction of a share or bundle several shares, depending on price.

Question 11

The ADR-to-share ratio can involve a fraction of a share or multiple shares, depending on the home-market price.

TRUE

This ratio keeps the ADR price in a comfortable trading range for US buyers.

Question 12

GDR holders have no entitlement to dividends or bonus shares on the underlying stock.

FALSE

GDR holders are entitled to dividends and bonus shares declared on the underlying shares.

Question 13

A depository receipt is a negotiable instrument issued by a bank representing shares of a foreign company.

TRUE

The issuing bank holds the underlying shares and issues tradable receipts against them.

Question 14

ADR stands for Asian Depository Receipt.

FALSE

ADR stands for American Depository Receipt, meant for US investors.

Question 15

A common memory hook for this topic is that ADR relates to America and GDR relates to Global markets.

TRUE

This hook helps candidates recall the market scope of each instrument quickly.

Question 16

GDRs can never be converted into the underlying equity shares under any circumstances.

FALSE

GDR holders can typically convert receipts into equity shares through a local custodian after a set period.

Question 17

Banks act as custodians, holding the underlying shares safely in ADR and GDR arrangements.

TRUE

Banks also manage dividend remittance and foreign-exchange conversion for these instruments.

Question 18

Sponsored and non-sponsored ADRs offer identical regulatory oversight and transparency.

FALSE

Sponsored ADRs are SEC-regulated and more transparent, while non-sponsored ADRs generally are not.

Question 19

ADR and GDR are relevant topics under capital markets and cross-border finance in the JAIIB LRAB syllabus.

TRUE

Examiners commonly test their types, features, currency, regulators, and key differences.

Question 20

The underlying shares of an Indian company's GDR are permanently redenominated into the GDR's trading currency.

FALSE

The underlying shares remain in the issuer's home currency, such as Indian Rupees, even though the GDR trades in another currency.