

Depository Receipts

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Abstract: Depository receipts; are taken out to represent the depository securities in depository institutions. It supplies the same rights given by the security it represents. Additionally, it is written for its bearer and it is expressed as the foreign currency of the security's nominal value.

Key words: Global depository receipts, American depository receipts, European depository receipts, Turkish depository receipts

INTRODUCTION

In order to make the circulation in both national and international markets easier, to produce "depository security receipts" that is written for the bearer, presents the same rights depository security represents, and that is analogous is a code of the law (Günel 1997). Depository receipts mean security in restricted meaning and in wider sense it is described as having the same rights of the deposited foreign security as a means of stock market; having identical qualifications with them (Özkorkut 2003).

Origin of Depository Receipts:

The origin of depository receipt is USA. It started in 1920's. In this period, it was difficult and risky to invest on the originals of foreign securities by American investors and brokers. The risks in this condition have been causing delays and some kind of extra expenses. In order to avoid the practical problems, they should have looked for solutions. In the solution produced, it was aimed at constituting a system that will be able to eliminate those handicaps. In those times, financial and economical system was national. For the system started to function badly, the investors and brokers were not able to transit to international market in the investment and financial activities they have been carried out. They were as if trapped inside a no end box and it was impossible for them to open global market. Something was clearer than anything else. The key was as if climbing up a hill in the desert under the sun in 70 C° in vein, and it was time consuming.

The distance between American and European stock exchange markets was high, for this reason, what is to be was to reach the international arena in world of stock exchange market. For the reason of investor's demand of diversifying their financial resources internationally, American Depository Receipts revealed.

Global Depository Receipts:

Global Depository Receipts (GDR) are depository receipt programmes which supplies stock synchronically in two or more markets and by being processed in European, American and other potential stock-exchange markets, they were proposed to widen the overseas security trade (Akbulak and Akbulak 2004).

European Depository Receipts:

It is a security produced to represent the stocks of partners other than Central Europe Monetary Union. European Depository Receipts are processed over Euro as a unit of currency. In countries which do not use Euro, purchasing and selling of this security is easier for European investors. All payments and costs are carried out over Euro.

American Depository Receipts:

American Depository Receipts (ADR), are foreign portfolio investment means that supplies rights on a foreign company securities to be processed in USA stock markets and enable the right to deposit the limited

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number of foreign securities imported by an American depositor bank to be deposited by the depositor company, and also is a means which represent these securities and nominal value of which is accounted over US dollars (Akbulak and Akbulak 2004). It makes trade easier. It constitutes a bridge between American investors and interest groups outside America. It forms the communication between investors (Coyle 1995).

Turkish Depository Receipts:

In Turkey, "İstanbul Stock Exchange" holds this responsibility and market, exchange and depository procedures and some of the securities processed in the market can be processed abroad as depository receipts.

According to Capital Markets Law (CML) Art. 11/5;

- "Within the framework of features covered by the board, in order to make currency easier in both national and international markets, "depository security receipts" can be produced that carry the identical qualifications as the deposited securities which are written to the bearer".

This code states the role of depository receipts within the means of capital market. Foreign securities that are represented by the depository receipts should be deposited in Depository Company for the name of intermediary company before the registration application to the board. According to the official statement, the document taken from the depository company will be delivered to Takasbank and the depository receipts following the registration by the board will be brought released by Takasbank for the name of the intermediary company (Akbulak and Akbulak 2004). These receipts represent the foreign securities deposited for the name of the intermediary company during "registration application" (Günel 1997).

In the justification of Capital Markets Law, the opportunity to deposit securities and get valuable paper written for the name of the bearer in return is produced. For depository receipts are security and all securities are valuable paper, depository receipts are valuable papers.

Advantages of Depository Receipts:

Depository stocks are within processing mechanisms for foreign securities. Depository receipt agreements serve various advantages to investors like transfer and exchanging dividends paid over foreign money currencies to their currency. Also, depository receipts are used in privatisation, mergers, foreign government's debt imports and employment financing. Mostly, foreign securities are written for the bearer. For this reason, the lists of securities can not be pursued. Depository receipts try to minimise the problems of promissory notes written for the bearer. It makes having information about the foreign company easier. Foreign companies having relationships with investors are restricted with law. Depositor or its division can learn the information and declarations send by the foreign importer. Even though the securities are written for the bearer, depository bank has the best conditions to get these information.

Conclusion:

Depository receipts make foreign securities to be processed in Turkey more easy. It helps having information about foreign companies. It reduces the problems of promissory notes written for the bearer. When depository receipts are imported, the correspondent of the depositor in foreign countries follows the dividend declarations and collects the dividends. Depository receipts make the payments to owners.

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