

SEBI's framework for the issue of Depository Receipts

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The Securities and Exchange Board of India (SEBI) notified the framework for the issue of depository receipts

What are Depository receipts?

Depository receipts are foreign currency-denominated instruments listed on an international exchange. These are instruments issued by a foreign depository and transferred to a domestic custodian (entity holding the securities). These requirements are in addition to the requirements under the Depository Receipts Scheme, 2014.

The Framework

- Under the framework, only listed companies (companies registered in India and listed on a stock exchange in India) are permitted to issue securities for the purpose of issuing depository receipts.
- The listed companies will be subject to certain conditions. Any director or promotor of the company should not be a wilful defaulter or a fugitive economic offender, and not be debarred from accessing the capital market by SEBI.
- Under the framework, existing holders of securities will also be eligible to transfer their securities for issuing depository receipts. The conditions for listed companies will also apply to existing holders.
- Listed companies can issue or transfer securities for the purpose of the issue of depository receipts only in permissible jurisdictions. The list of permissible jurisdiction is notified by the central government from

time to time.

- As per the Depository Receipts Scheme, 2014, permissible jurisdictions include only members of the Financial Action Task Force (for example: Japan, the United States, Germany, and China).
- Recently, the central government has amended the Depository Receipts Scheme, 2014 to include the International Financial Services Centre in India as a permissible jurisdiction under the scheme