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Increasing globalization and investor appetite for diversification offer a unique opportunity to companies looking to tap a new investor base, expand awareness, or raise capital. By creating a depositary receipts program, you gain the flexibility and access you need to achieve your company’s strategic goals.

Depositary receipts hold special appeal for investors because they make investing in a company beyond the investor’s home borders easy and convenient. That ease fuels investor appetite, which in turn has driven explosive growth in the depositary receipt market.

- Companies from more than 80 countries have gained new investors outside their home markets.
- More than 2,100 issuers have issued depositary receipts.
- 500 depositary receipt programs are listed on US exchanges, providing the issuing company with important access to new capital.
- Depositary receipts account for 16% of the entire US equity market.*

Since JPMorgan established the first depositary receipt program in 1927, depositary receipts have gained widespread popularity as both an investment vehicle and investment option. In particular, investors appreciate how depositary receipts mitigate the concerns that normally accompany cross-border investments, such as expensive and complicated transactions and settlement.

*For a comprehensive overview of the entire depositary receipts universe, visit adr.com, part of JPMorgan’s central source for information on depositary receipts and international equities.

While depositary receipt programs can be structured in a variety of ways, there are two basic options: American Depositary Receipt programs, which give companies outside of the US access to the US capital markets, and Global Depositary Receipt programs, which provide exposure to the global markets outside the issuer’s home market.

American Depositary Receipts
American Depositary Receipts (ADRs) offer the issuing company access to the world’s largest and most active capital market. Correspondingly, ADRs provide investors in the US with a convenient way to directly invest in international companies while avoiding the risks traditionally associated with securities held in other countries.

ADRs are dollar-denominated securities that trade, clear and settle like any other US security. They are a negotiable instrument that represents ownership of shares (ADSs) in a non-US company. Whether traded over-the-counter or on one of the major US exchanges, ADRs are a mainstream and popular option for investors.
US investors are eager to expand their horizons in search of new opportunities for capital growth. In fact, the appetite for foreign equities continues to increase as investors seek geographic and sector diversification.

The level of US investment in foreign equities now exceeds more than $2 trillion, reflecting 100-fold growth since 1980.

US investment in foreign equities (ADR and local shares), 1980—2005

ADR trading volumes have remained consistently strong following the global market corrections of 2001 and 2002.

- Since 2003, ADR traded volumes have continuously set new annual records, exceeding 40 billion shares traded in 2005.
- Trading values topped $977 billion in 2005, approaching the market high set in 2000.

The market outlook for depositary receipts continues to be strong, reflecting well-established long-term trends such as international diversification, cross-border M&A activity using depositary receipts as
acquisition currency, global privatizations, worldwide restructurings and mandates that create shareholder value, and increased competition for new sources and diversification of equity capital.

Equally important, the market’s liquidity is expected to increase with the real-time delivery of global news and financial information, the ability to make secure on-line transactions using the internet, and the increasing sophistication of analytical tools available to the retail investor. The depositary receipt market continues to gain in efficiency, benefiting issuer and investor alike.

Global Depositary Receipts
Global Depositary Receipts (GDRs) give issuers exposure to the global markets outside their home market. GDRs are offered to investors in two or more markets, and are most commonly used to raise capital in Europe and the US.

The typical GDR structure combines a depositary receipt offered in Europe under Regulation S (Reg S) with a depositary receipt offered in the US (an ADR).

- Reg S DRs are listed on a European stock exchange such as London or Luxembourg and clear through the Euromarket clearing systems, Euroclear and Clearstream.
- The ADR may be publicly listed on a US exchange and offered to retail investors, or privately placed with Qualified Institutional Buyers pursuant to Rule 144A.

In recent years, capital raising using GDRs has increased steadily. Accounting for less than one percent of the market in 2000, in 2005 GDRs accounted for nearly 45% of all capital raised using depositary receipts worldwide.

The rise of sophisticated international markets has driven a shift towards Global Depositary Receipts as global corporations increasingly seek to raise capital in other markets. Between 2004 and 2005 alone, the use of GDRs increased by more than 8%.
Capital raised by structure during 2004 and 2005: Shift to Global Depositary Receipts

In 2004 - 2005, GDRs were used to raise 40% of all capital, compared to 27% in the comparable 2001 - 2003 timeframe.

Recent trends in capital raising show continued growth in use of Global Depositary Receipt structure

Asian companies are leading the way, followed by issuers from Europe and Latin America.

Capital raised by region

Source: Bloomberg, adr.com
Other Uses for GDRs

Like the depositary receipt itself, the GDR has proven to be a very flexible structure. In some cases, GDRs are created not to raise capital, but to establish a presence in a new market, increasing the company’s visibility and paving the way for future offerings. Moreover, while the shares made available in Europe and the US via a GDR are most often denominated in US dollars, other currencies could be utilized.

Benefits of Depositary Receipts

No matter which type of program is utilized, issuing companies and investors alike benefit from the unique features of the depositary receipt structure. The advantages are substantial.

<table>
<thead>
<tr>
<th>For issuers</th>
<th>For investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Creates, broadens or diversifies investor base to include investors in other capital markets.</td>
<td>• Easy to purchase and hold.</td>
</tr>
<tr>
<td>• Enhances visibility and global presence among investors, consumers and customers.</td>
<td>• Trades and settles in the same manner as any other security available in the investor’s home market.</td>
</tr>
<tr>
<td>• Increases liquidity by tapping new investors.</td>
<td>• Facilitates global / sector diversification by providing access to new companies.</td>
</tr>
<tr>
<td>• Develops and increases research coverage of your company.</td>
<td>• Enables comparison with other investments due to accessible price information.</td>
</tr>
<tr>
<td>• Improves communication with shareholders globally.</td>
<td>• Eliminates or reduces global custody safekeeping charges.</td>
</tr>
<tr>
<td>• Enables price parity with global peers.</td>
<td>• Pays dividends and delivers corporate action notifications in the investor’s home currency and language.</td>
</tr>
<tr>
<td>• Offers a new venue for raising equity capital.</td>
<td>If publicly-listed:</td>
</tr>
<tr>
<td>• Facilitates merger and acquisition activity by creating a desirable stock-swap “acquisition currency”.</td>
<td>• Conforms to disclosure and accounting requirements.</td>
</tr>
<tr>
<td></td>
<td>• Offers institutional investors (mutual funds, pension funds) the opportunity to hold international securities that might otherwise not be permitted.</td>
</tr>
<tr>
<td></td>
<td>• If listed on a major US exchange, lowers dividend tax rate for individual and retail investors.</td>
</tr>
</tbody>
</table>
Companies often find that the establishment of a depositary receipt program brings additional benefits. The increased visibility and investor base they gain by stepping outside their home market can enhance their international reputation, increase their share value, and heighten the profile of their company among the international investment community.
The flexibility of the depositary receipt structure lies in the different programs available to meet your particular needs. Depositary receipts may be offered in the US, in another market outside your home country, or in combination.

- American Depositary Receipts (ADRs) are offered to US investors
- Global Depositary Receipts most commonly combine a Reg S DR with an ADR, giving you exposure to global markets beyond your own borders.

**Depositary receipts in the United States - American Depositary Receipts (ADRs)**

In the US, you can select from programs that are listed on a national stock exchange or traded over-the-counter, tap retail or institutional investors, and are designed to expand your shareholder base or raise capital.

<table>
<thead>
<tr>
<th>Program Type</th>
<th>Listed on NYSE, Amex or NASDAQ</th>
<th>Unlisted</th>
<th>Retail Investors</th>
<th>Institutional Investors (QIBs)</th>
<th>Develop/Shareholder Base</th>
<th>Raise Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level I Unlisted (OTC)</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Level II Listed</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Level III Listed/Public Offering</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Rule 144A DR Unlisted/Private Place with QIBs</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

Each of these programs has different registration, regulatory reporting and financial disclosure requirements. Since the financial disclosure and accounting practices and desires of the issuing company often determine its listing options, we’ll start by looking at unlisted programs vs. listed programs.

**Unlisted programs (Level I and Rule 144A DRs)**

A Level I ADR program is not listed on a stock exchange, but is available for retail investors to purchase and trade in the over-the-counter market via NASDAQ’s Pink Sheets. A Level I program does not create new capital in the US; rather, it gives your company the opportunity to develop or expand its shareholder base by establishing a foothold in the US market.

Level I ADRs:

- Maintain home market accounting and disclosure standards.
- Use existing shares to satisfy investor demand and liquidity. New DRs are created by issuing and canceling ordinary shares in the issuer’s home market.
- Are exempt from US reporting requirements under Rule 12g3-2(b) compliance.
- Are registered with the US Securities and Exchange Commission using Form F-6.
Bid and ask prices are electronically updated at the end of the trading day by the Pink Sheets LLC information service. Real-time and intra-day quotes posted by market makers are available to investors, by subscription, from vendors such as OTCquote.com.

A Rule 144a DR is the quickest, easiest, and most cost-effective way to raise capital in the United States. New, restricted shares are created and then privately placed with institutional investors. Rule 144A facilitates the resale of privately placed securities to Qualified Institutional Buyers in the US. These institutions manage at least $100 million in securities, or are registered broker-dealers that own or invest, on a discretionary basis, $10 million in securities of non-affiliates. Rule 144a DRs:
- Are not subject to US reporting requirements.
- May not be advertised or actively promoted by the issuer.
- Trade electronically on PORTAL (a system managed by the National Association of Securities Dealers) pursuant to Rule 144a of the Securities Act of 1933.
- Are restricted to Qualified Institutional Buyers (QIBs) for purchase or trading.
- Are not registered with the US Securities and Exchange Commission.

At least two years from the last deposit of shares in the Rule 144A ADR facility, the ADRs issued under the Rule 144 program may be eligible to be merged into an unrestricted ADR facility.

Listed programs (Level II and Level III)

Listing your ADR means it will be traded on one of the three major US exchanges - the New York Stock Exchange (NYSE), The American Stock Exchange (Amex), or the National Association of Securities Dealers Automated Quotation System (NASDAQ). ADRs that are listed on the NYSE or Amex, or quoted on NASDAQ, have higher visibility in the US market, are more actively traded, and have increased potential liquidity.

In order to list your company’s securities, you must meet the listing requirements of your chosen exchange or market. Your company must also comply with the registration provisions and continued reporting requirements of the Securities Exchange Act of 1934, as amended (“The Exchange Act”), as well as certain registration provisions of the Securities Act, which generally entail the following:
- Form F-6 registration statement, to register the ADRs to be issued.
- Form 20-F registration statement, to register the ADRs under the Exchange Act. This requires detailed financial disclosure from the issuer, including financial statements and a reconciliation of those statements to US GAAP (Generally Accepted Accounting Principles).
- Annual reports (on Form 20-F), filed on a regular, timely basis with the US Securities and Exchange Commission (SEC).
- Interim financial statements and current developments, furnished on a timely basis to the SEC on Form 6-K, to the extent such information is made public or filed with an exchange in the home country or distributed to shareholders.

A Level II ADR uses existing shares to satisfy investor demand and liquidity. New ADRs are created from deposits of ordinary shares in the issuer’s home market. Because these securities are listed or quoted on a major US exchange, Level II ADRs reach a broader universe of potential shareholders and gain increased visibility through reporting in the financial media. Listed securities can be promoted and advertised, and may be covered by analysts and the media. In addition, listed securities can be used to structure incentives for an issuer’s US employees, or could be used to facilitate US mergers and acquisitions.

Level III ADRs are a public offering of new shares into the US markets. These capital raisings have a high profile: They are followed closely by the financial press and other media, often generating significant visibility for the issuer. In addition to the requirements noted above, an issuer establishing a Level III ADR program:

- Is required to file Form F-1. This registers the securities underlying the ADRs that will be offered publicly in the US, including a prospectus informing potential investors about the issuer and any risks inherent in its business, the offering price of the securities, and the issuer’s plan for distributing the ADRs. In certain circumstances, an abbreviated registration statement (Form F-3) may be acceptable.
- May substitute Form 8-A for Form 20-F registration to register under the Exchange Act. However, Form 20-F annual reports must be filed thereafter. This annual filing contains detailed financial disclosure from the issuer, financial statements and a full reconciliation of those statements to US Generally Accepted Accounting Principles (GAAP).

Level III ADRs can be actively promoted and advertised to increase investor awareness and market liquidity. As with Level II ADRs, the securities can be used to structure incentives for an issuer’s US employees, and may be used to facilitate US mergers and acquisitions.

Global Depositary Receipts tap markets outside the US
Increasingly, issuers look beyond the US capital markets to raise capital. The Global Depositary Receipt (GDR) was created to satisfy that interest, allowing issuers access to new sources of funding and increasing their shareholder base. GDRs provide exposure to the global markets outside the issuer’s home market, most commonly by combining two complementary structures: the Regulation S (Reg S) depositary receipt and the American Depositary Receipt (ADR).
Global Depository Receipt Options

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Outside US</th>
<th>In US</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise capital in all markets</td>
<td>Reg S DR</td>
<td>Rule 144A DR</td>
<td>The most common GDR structure. Only available to Qualified Institutional Buyers in the US</td>
</tr>
<tr>
<td></td>
<td>Reg S DR</td>
<td>Level III ADR</td>
<td>Allows for public offering of shares in two markets.</td>
</tr>
<tr>
<td>Raise capital (ex US)</td>
<td>Reg S DR</td>
<td>Level I ADR</td>
<td>Also called a “Side by side” DR program. Level I program is established 40 days after the initial Reg S offering.</td>
</tr>
<tr>
<td>Expand shareholder base in US</td>
<td>Reg S DR</td>
<td>Level II ADR</td>
<td>Infrequently combined, as regulatory / reporting requirements are stringent and no capital may be raised in the US (although capital may be raised outside the US)</td>
</tr>
</tbody>
</table>

Regulation S (Reg S) DRs allow issuers to raise capital in markets outside the United States. Reg S DRs are often listed on the London or Luxembourg stock exchanges, and clear through the Euromarket clearing systems Euroclear and Clearstream.

The issuer must comply with the regulations of the markets on which their shares are issued, as well as the rules of the exchange where they are listed or traded. US investors may not purchase Reg S DRs.

Pairing an American Depositary Receipts (ADRs) with a Reg S DR allows the issuer to access US markets.

- If the issuer seeks to raise capital, a Rule 144A DR or a public offering via listed, Level III ADR is utilized.
- If the issuer seeks to broaden their shareholder base in the US, they can establish a Level I ADR in the US forty days after a Reg S offering. This combination Reg S / Level I ADR structure is called a Side by side depositary receipt program.

Related structures

In addition to depositary receipts, there are other options available to issuers looking to access capital markets around the world. However, these options are limited to particular circumstances or geographies.

Local depositary receipts

Local depositary receipts are established for companies seeking to list their stock on a local exchange where a direct listing of foreign securities is not permitted. Local depositary receipt programs are often named according to the exchanges on which they are listed and traded:

- International Depositary Receipts (IDRs) - listed in Brussels
- Dutch Depositary Receipts - listed in Amsterdam
- Swedish Depositary Receipts - listed in Stockholm
- Singapore Depositary Receipts - listed in Singapore
These programs allow the issuer to access investors in a particular market, perhaps in a location where their product or service is well known or enjoys a competitive advantage that will influence investor appetite.

**Unsponsored ADR programs**
An ADR program in which there is no deposit agreement set up between a depositary bank and an issuer client. One or more depositary banks create and issue ADRs due to market demand without the issuing company’s participation.

**New York Shares**
These shares are typically used by Dutch issuers whose local law permits share registration to occur outside The Netherlands. The securities represent share capital of the issuer in circulation in the US, and are normally listed on US exchanges. A company’s total share capital is equivalent to the sum of the Dutch and US registers. The New York Share structure, used today by a small number of companies such as Royal Dutch Petroleum and Unilever N.V., was developed in 1954.

**Global Registered Shares (GRS)**
Similar to New York Shares, Global Registered Shares give companies a way to list and trade their shares directly on the New York Stock Exchange, while remaining fully fungible with the shares traded in their home country. Created in 1998 for DaimlerChrysler AG, GRSs are used today by just three other issuers - Germany’s Celanese AG and Deutsche Bank AG, and Switzerland’s UBS AG. Similar structures are used by some Canadian and Israeli issuers to list their ordinary shares directly on US exchanges.

**Enhancements to the traditional depositary receipt structure**
In addition to the fundamental depositary receipt structures, issuers now have access to new instruments that allow the basic structure to be used as an attractive corporate finance tool.

**American Depositary Debentures (ADDs) and American Depositary Notes (ADNs)**
These structures allow for debt financing in the US ADDs and ADNs represent debentures and notes on deposit with a custodian in the issuer’s home market, and permit those debentures and notes to be made available to investors in the US. The securities are quoted in US dollars and represent the right to receive a fixed percentage of the debt represented by the securities in the home market. ADDs and ADNs may be listed on US exchanges and publicly traded, pursuant to the requirements of the Trust Indenture Act of 1939, and must comply with applicable registration and reporting requirements under US securities laws.
American Depositary Warrants (ADWs)

Warrants entitle the holder to buy a proportionate amount of stock at some specified future date at a specified price, usually higher than the current market price. ADWs issued against warrants deposited in the issuer’s home market provide holders with the option to purchase a specific number of American Depositary Shares. These represent shares deposited in the issuer’s depositary receipt facility. The purchase takes place at a specified price in US$ over a specified period of time. ADWs may be triggered when the issuer’s shares in the home market reach a specified price.

Convertible Bonds or Notes

These debt instruments are issued by a company that may or may not have a depositary receipts program. If the issuer has a depositary receipt program, the securities are convertible into an ADR of the issuer. Otherwise, they may be convertible into an ADR of another issuer, usually an affiliate of the issuing company.

Choosing the right structure to meet your goals

With the wide variety of depositary receipt programs to consider, your business needs will guide you in selecting the right structure to achieve your goals. Consider whether you:

- Are seeking to expand your investor base or raise capital.
- Are looking to increase liquidity and recognition in the US or in other markets.
- Wish to attract retail or institutional investors.
- Are prepared to comply with US accounting principles.
- Are able to adhere to an exchange’s listing requirements.

By assessing your strategy and determining the market you wish to access, you can quickly narrow down the available universe of choices. The different requirements of the individual programs can help you focus in on the structure that’s right for you.

<table>
<thead>
<tr>
<th>Your goal…</th>
<th>…where?</th>
<th>…who?</th>
<th>…options</th>
<th>…think about</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gain new shareholders</strong></td>
<td>US</td>
<td>Retail investors</td>
<td><strong>Level I ADR</strong></td>
<td>Easy and quick to establish &lt;br&gt;Low visibility &lt;br&gt;Reduced liquidity &lt;br&gt;No financial reporting &lt;br&gt;Limited SEC registration &lt;br&gt;Low cost to establish</td>
</tr>
<tr>
<td><strong>Level II ADR</strong></td>
<td>Takes longer to establish &lt;br&gt;Higher visibility &lt;br&gt;Increased liquidity &lt;br&gt;Requires financial reporting &lt;br&gt;Requires SEC registration &lt;br&gt;More expensive to establish</td>
<td></td>
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</table>
Other strategic business objectives, such as mergers & acquisitions (M&As), privatization, or the need to create incentive programs for locally-based staff, may factor into your decision.

Privatizations require a successful offering of securities representing assets in state-owned enterprises. Establishing a depositary receipt program as part of a privatization can help the government attract private ownership and raise capital overseas while controlling the rate of overseas investment. Depositary receipts have been created and offered from infrastructure and service entities, including transportation, petrochemicals, telecommunications and utilities. Note that since privatizations involve offering securities, the issuer’s choice of depositary receipt programs is limited to a Level III ADR (Listing / Public offering), a Rule 144A DR, and/or a Reg S DR.

Mergers & Acquisitions increasingly require the cross-border transfer of funds in today’s global economy. Depositary receipts are the perfect structure to facilitate these transfers, as they:
are designed to ease trading and settlement between markets.
- allow an issuer to communicate with their investors in other markets without establishing an independent shareholder support structure.
- support a variety of M&A structures, including equity-based acquisitions of US business or non-US business entities or spin-offs of non-US subsidiaries.
- facilitate the proper handling of corporate actions such as rights offerings, vote solicitation, and dividend payments to shareholders in other markets.

Virtually any type of depositary receipt program that is publicly available is appropriate for use in M&A transactions.

As you evaluate potential depositary banks, consider which can partner with you to provide a full range of services - from consultation to transaction processing - and help you select the right program to meet today’s needs and tomorrow’s strategic business objectives.
Choosing the right depositary bank can make all the difference in creating and managing your depositary receipts program. All depositary banks handle the same basic functions: working with issuers to establish the program, issuing and canceling the depositary receipts, and managing corporate actions and shareholder services. What sets JPMorgan apart is the exceptional service it delivers while performing these fundamental services, plus the depth and breadth of value-added services we offer to help you achieve your underlying objectives.

JPMorgan seeks to create strong, liquid depositary receipt programs held by a diverse group of investors. We develop long-term relationships with a select group of issuers who, in turn, have access to the full range of resources available through JPMorgan. As a result, JPMorgan’s clients attract 30% of the total institutional investment dollars allocated to depositary receipt programs - representing the highest investment value per program of any depositary. We achieve these results through unparalleled understanding of our clients’ needs, and unrivaled dedication to delivering exceptional service.

<table>
<thead>
<tr>
<th>13-F Investment value by depositary bank</th>
<th>Average 13-F Investment value per program ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JPM</td>
<td>30%</td>
</tr>
<tr>
<td>CIT</td>
<td>21%</td>
</tr>
<tr>
<td>DB</td>
<td>3%</td>
</tr>
<tr>
<td>BNY</td>
<td>45%</td>
</tr>
<tr>
<td>Unsponsored</td>
<td>1%</td>
</tr>
</tbody>
</table>

Total = $527 billion

Source: 13-F filings, March 2006

JPMorgan introduced the first ADR programs from all major regions of the world: Europe, Latin America and Asia. Our history of creativity and innovation means we don’t take a “one size fits all” view of our clients; instead, you’ll benefit from our thoughtful approach and a customized assessment of your particular needs.
We provide investor relations, advisory and administrative support, and leverage the resources of our entire firm to focus on maximizing trading liquidity and fostering broad, diversified ownership. This helps you use your depositary receipt program to its full potential.

Simultaneously, we deliver a highly-regarded ADR-only stock transfer operation that allows us to provide uniquely specialized shareholder services to depositary receipt holders. JPMorgan is the only depositary bank with a stock transfer administration team exclusively dedicated to ADR shareholders.

The fundamentals
Our highly integrated and personalized approach provides each and every client with the quality service and attention that will allow their program to thrive. That service starts by mastering the fundamentals:

- Issuing depositary receipts against the deposit of local shares with the custodian.
- Providing stock transfer and registration services for depositary receipt holders.
- Answering inquiries from depositary receipt holders and distributing corporate communications to registered holders.
- Providing issuers with detailed information about holders and market activity, trends and developments.
- Advising on, coordinating and assisting issuers in executing corporate actions, including disseminating voting materials and other issuer communications, processing voting instructions received from holders, and providing information about corporate actions to the market.
- Advising, coordinating, and executing ratio changes between the DRs and ordinary shares.
- Handling dividend conversions to US dollars or other currencies, and transmitting dividends to registered holders.
- Producing IRS tax withholding documents and supporting the tax reclaim process, as needed.
- Maintaining custodian relationships.
- Sponsoring and managing dividend reinvestment and direct purchase for investors and employees.

About JPMorgan
With a rich tradition of leadership reaching back to 1799, JPMorgan Chase & Co. is a trusted advisor to the world’s most prominent corporations, institutions and governments. With assets of more than one trillion dollars, we are one of the most respected names on Wall Street and around the globe.

JPMorgan has a long history of innovation that extends to the depositary receipt market. From creating the first depositary receipt almost 80 years ago to the first listed and publicly-offered ADRs, from introducing a web-based tool for issuers nearly a decade ago to providing the first online services for registered shareholders, JPMorgan continually leads the way.

[Image of ADR creation timeline]
Our dedication to providing quality service consistently results in satisfied issuers and investors. In a recent Carl Hagberg and Co. survey of ADR depositaries, JPMorgan received top marks. Our 87% satisfaction rate was well ahead of competitor scores.

Resources, tools and analytics available only from JPMorgan

JPMorgan delivers a wide-ranging set of services and tools to issuers and investors to promote a successful depositary receipts program. You’ll start with a dedicated relationship team that provides ongoing support, both locally and globally. Our staff is fully familiar with legal and market practices in different countries, allowing us to bridge any gaps between your home market and the markets you seek to enter.

Ongoing support for issuers

- Our dedicated, in-house Advisory Services team works closely with you and your investor relations firm to deliver important marketing guidance, tailored advice and capital markets intelligence. You’ll benefit from critical intelligence on investors, analysis of holders/non-holders vs. peers, and targeting suggestions that can help improve market perception, penetration and ownership levels. Our experts take a focused approach to energizing your depositary receipt program, developing innovative strategies to successfully target and market to prospective investors.

- **Time sensitive, cost effective communications and reporting** let you reach your shareholders quickly and obtain daily updates on voting activity. Online information delivery and voting deliver substantial savings on printing and postage, while improving participation rates.

- **Convenient in-house or off-site training** for your Investor Relations specialists and company executives provides the education and information necessary to successfully establish and maintain your depositary receipts program.

- Our **Issuer Advisory team**, created in 2005, brings together a group of local and global experts to help you plan and successfully execute complex corporate actions and ongoing investor relations strategies. Team members possess in-depth experience in global investor relations, communications, and institutional and retail shareholder services. We work closely with you, your corporate brokers and/or investor relations advisors to assure that your program is marketed to a diversified mix of domestic and international investors.

Market leading services from a global market leader

When you establish a depositary receipts program with JPMorgan, you tap into the strength and creativity of experts in their field and the resources of a market leader.

Our team offers you:

- Unrivalled experience with complex transactions
- Unparalleled advisory services
- Specialized liquidity solutions
- A single access point to explore other JPMorgan products and services, giving you greater flexibility in achieving your business goals.

As a JPMorgan customer, you’ll always have the information you need right at your fingertips. Take full advantage of our state-of-the-art market and information portal, adr.com, the internet’s leading market source of information on...
regional buy-side institutions. Our extensive knowledge of challenging transactions assures excellent execution for issuers and high quality information flow for shareholders, whether you're executing a follow-on depositary receipt program, capital reorganization, rights issue or other corporate activity.

- Leveraging JPMorgan's global liquidity hubs in New York and London, the Liquidity Solutions team works constantly with buy-side and sell-side firms to promote the benefits of depositary receipt ownership and conversions. With innovative tools such as ADRMax, brokers and institutional investors can initiate and execute of depositary receipt / ordinary share cross-book transactions online. The Liquidity Solutions team facilitates closer bonds between depositary receipt issuers and investors, arranging introductions to its extensive range of contacts and gathering important market feedback critical to program success.

Regular and ad hoc reporting
JPMorgan uses the latest analytical tools to provide timely, relevant information to issuers and designated third-party advisors.

- Monthly reporting gives you a comprehensive, strategic overview suitable for presentation to your board of directors. The detailed information includes:
  - data and analysis of outstanding depositary receipts and trading volumes.
  - institutional holdings based on 13F filings.
  - pricing information on your depositary receipt program and those of your peers. Your peer universe can be updated at any time.
- Daily emails offer an ongoing snapshot of your equity data, and that of selected peers, as of close of business.

Shareholder support and stock transfer administration for investors
We seek to deliver seamless administrative service to investors, making the trading and holding of your depositary receipts as close to holding domestic shares as possible.

- Shareholders can speak with a representative or use our telephone-based voice recognition system to obtain information about their holdings.
- Important information about your company can be delivered quickly and electronically.
- Shareholders can vote online with ease and security, using e-consent and e-proxy tools.

Market-leading technology
JPMorgan continues to innovate and invest in technology, infrastructure and people to ensure ongoing delivery of a market-leading depositary receipt service. The specialized tools and programs we offer to issuers and investors include:
adr.com
JPMorgan’s leading edge internet-based issuer support tool gives you convenient “on demand” access to detailed information about your depositary receipts program. Monitor program liquidity and market acceptance with access to data on issuance, cancellation, DRs outstanding, broker-trading activities, and premium/discount analysis of ordinary shares vs. depositary receipts. Establish e-mail alerts based on specific performance data to receive immediate updates on your program.

Since its launch in 1998, adr.com has been widely recognized as the central source for international equities information, depositary receipts market intelligence and data. With more than 63 million “hits” registered in 2005, adr.com provides an important way for issuers to communicate with their investors and the financial media.

IRchannel.com gives you a real-time tool to manage your program, compare your ownership profile to that of your peers, understand your current investor base, and identify and target new investors.
Client ServiceDirect provides you with access to corporate and shareholder account data, helping you monitor ownership levels, respond to inquiries, and track proxy voting as it happens.
Global Invest Direct was created by JPMorgan as the first no-load ADR purchase plan (similar to the popular no-load mutual funds). Investors can purchase ADRs conveniently and economically using automatic withdrawals and dividend reinvestment.

These value-added services are the reason that JPMorgan’s depositary receipts programs have the highest trading volumes of any depositary, and explain why 28 blue chip companies who originally established depositary receipt programs with other banks have switched to JPMorgan since 2001. As a JPMorgan client, you’ll receive high quality support for your depositary receipts program. Team members work closely with other JPMorgan partners to deliver optimal value for your company and shareholders. With in-house capabilities in advisory services, corporate finance, research, sales and trading, technology, and operations, JPMorgan offers an integrated approach to your company’s total equity strategy.
Once you’ve decided on the right depositary receipt structure for your company’s needs, you’ll work closely with your depositary bank to establish and maintain your program. Depending on the type of program you’ve selected, the timeframes and requirements for launching your program will vary. However, certain things remain constant no matter which program type you choose.

**Setting a ratio**

Each depositary share (DS) issued will represent a certain number of underlying shares held in custody in your home market. Ratios will vary based upon the share price of your underlying shares and the US share price of other companies in your industry.

There is no “correct” ratio for depositary receipts, so you will want to carefully review the share prices of your industry peers in order to establish a ratio that will enable a price per depositary share that will be attractive to investors. For your convenience, the table below presents average US listed share prices for US-domiciled companies for certain selected sector classifications on Sept 2007.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average $ price per share</th>
<th>Industry</th>
<th>Average $ price per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airlines</td>
<td>11.9</td>
<td>Information tech services</td>
<td>7.9</td>
</tr>
<tr>
<td>Auto parts &amp; equipment</td>
<td>15.4</td>
<td>Integrated oil &amp; gas</td>
<td>53.5</td>
</tr>
<tr>
<td>Beverages</td>
<td>13.5</td>
<td>Media conglomerates</td>
<td>23.8</td>
</tr>
<tr>
<td>Biotechnology</td>
<td>9.2</td>
<td>Motor vehicles</td>
<td>10.8</td>
</tr>
<tr>
<td>Computer processing hardware</td>
<td>11.1</td>
<td>Pharmaceuticals</td>
<td>12.6</td>
</tr>
<tr>
<td>Discount Stores</td>
<td>25.9</td>
<td>Semiconductors</td>
<td>13.5</td>
</tr>
<tr>
<td>Electronic components</td>
<td>8.8</td>
<td>Steel</td>
<td>39.6</td>
</tr>
<tr>
<td>Financial conglomerates</td>
<td>67.7</td>
<td>Tobacco</td>
<td>36.1</td>
</tr>
<tr>
<td>Household/personal care</td>
<td>16.3</td>
<td>Telecom equipment</td>
<td>7.2</td>
</tr>
<tr>
<td>Industrial conglomerates</td>
<td>47.7</td>
<td>Telecom Wireless services</td>
<td>11.5</td>
</tr>
</tbody>
</table>

Source: Factset, Sept 2006

As you consider your options, please note that:

- Over the past 20 years, the average price of a share traded on the NYSE has been in the $30 range.
- The ratio you initially select will affect the issuance/cancellation and brokerage costs that your investors pay. Since these costs are expressed in cents per share (or cents per depositary share), a depositary share that is priced “too low” can add incremental transaction costs for investors.
Roles and responsibilities

Setting up your depositary receipt program will require close coordination between you, your depositary bank, and each firm’s legal counsel. Your depositary bank will need to closely coordinate with the custodian bank selected in your home market. If you are raising capital or listing your depositary shares, you will also need to rely upon other experts such as accountants, investment bankers, and Investor Relations firms. The roles and responsibilities of each program partner are summarized below.

<table>
<thead>
<tr>
<th>Custodian</th>
<th>Depositary</th>
<th>Issuer</th>
<th>Legal Counsel (depositary’s and issuer’s)</th>
<th>Accountants (Level II/III ADRs only)</th>
<th>Investor Relations advisor / firm</th>
<th>Investment banks/Underwriters (Level II/III/Rule 144A/Regulation S ADRs only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receive local shares in issuer’s home country</td>
<td>Provide advice/perspective on type of program, exchange or market on which to list or quote</td>
<td>Provides depositary and custodian with notices of dividends, rights offerings and other corporate actions, including notices of annual and special stockholder meetings</td>
<td>Prepare draft deposit agreement (depositary bank’s counsel) and file required registration statements with the SEC</td>
<td>Review registration statement or offering circular</td>
<td>Develop long-term plan to raise awareness of issuer’s program in the US</td>
<td>Advise on type of program to launch and exchange or market on which to list or quote</td>
</tr>
<tr>
<td>Confirm deposit of underlying shares</td>
<td>Advise on ratio of depositary shares to ordinary shares</td>
<td>Ongoing compliance with stock exchange and SEC regulations, including disclosure and reporting (coordinating with legal counsel/accountants)</td>
<td>Manage compliance with US securities laws, rules and regulations and perfect any securities law exemptions (if Rule 144A/Reg S program) (Issuer counsel)</td>
<td></td>
<td>Develop communications plan and information materials for launch activities (roadshow and presentations to investors, launch day promotion, meetings with financial media)</td>
<td>Advise on ratio of depositary shares to ordinary shares</td>
</tr>
<tr>
<td>Hold shares in custody for the account of depositary in the home market</td>
<td>Appoint custodian</td>
<td>Execute US focused investor relations plan</td>
<td>✈️ Prepare draft deposit agreement (depositary bank’s counsel) and file required registration statements with the SEC</td>
<td></td>
<td>Coordinate with issuer’s advertising and public relations teams on specific program plans to support and develop company image in the US</td>
<td>Advise on exchange or market on which to list or quote</td>
</tr>
<tr>
<td></td>
<td>File Form F-6 if Level One, 2 or 3 program</td>
<td></td>
<td>✈️ Manage compliance with US securities laws, rules and regulations and perfect any securities law exemptions (if Rule 144A/Reg S program) (Issuer counsel)</td>
<td></td>
<td></td>
<td>✈️ Advise on exchange or market on which to list or quote</td>
</tr>
<tr>
<td></td>
<td>Review draft registration statement or offering memorandum, depending upon type of program to be established</td>
<td></td>
<td>✈️ Prepare draft deposit agreement (depositary bank’s counsel) and file required registration statements with the SEC</td>
<td></td>
<td></td>
<td>✈️ Advise on exchange or market on which to list or quote</td>
</tr>
<tr>
<td></td>
<td>Coordinate with all partners to complete program implementation steps on schedule</td>
<td></td>
<td>✈️ Manage compliance with US securities laws, rules and regulations and perfect any securities law exemptions (if Rule 144A/Reg S program) (Issuer counsel)</td>
<td></td>
<td></td>
<td>✈️ Advise on exchange or market on which to list or quote</td>
</tr>
<tr>
<td></td>
<td>Coordinate with legal counsel on Deposit Agreement and securities law matters</td>
<td></td>
<td>✈️ Prepare draft deposit agreement (depositary bank’s counsel) and file required registration statements with the SEC</td>
<td></td>
<td></td>
<td>✈️ Advise on exchange or market on which to list or quote</td>
</tr>
<tr>
<td></td>
<td>Prepare and issue certificates and/or direct registration statements</td>
<td></td>
<td>✈️ Manage compliance with US securities laws, rules and regulations and perfect any securities law exemptions (if Rule 144A/Reg S program) (Issuer counsel)</td>
<td></td>
<td></td>
<td>✈️ Advise on exchange or market on which to list or quote</td>
</tr>
<tr>
<td></td>
<td>Solicit market makers (Level I ADR only)</td>
<td></td>
<td>✈️ Prepare draft deposit agreement (depositary bank’s counsel) and file required registration statements with the SEC</td>
<td></td>
<td></td>
<td>✈️ Advise on exchange or market on which to list or quote</td>
</tr>
<tr>
<td></td>
<td>Announce DR program to market (brokers, traders, media, retail / institutional investors via news releases and internet)</td>
<td></td>
<td>✈️ Manage compliance with US securities laws, rules and regulations and perfect any securities law exemptions (if Rule 144A/Reg S program) (Issuer counsel)</td>
<td></td>
<td></td>
<td>✈️ Advise on exchange or market on which to list or quote</td>
</tr>
</tbody>
</table>

To gain a fuller appreciation of the roles and responsibilities associated with setting up a depositary receipt program, refer to the table above.
Timelines and calendars

Establishing a new depositary receipts program

The length of time required to establish a depositary receipt program depends upon the type of program you select. Sample timelines for each type of program, noting the parties involved in each step, are provided for your reference.

<table>
<thead>
<tr>
<th>Unlisted programs</th>
<th>Listed programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level I...................................................................turn to page 25</td>
<td>Level II......................................turn to page 26</td>
</tr>
<tr>
<td>Rule 144A DRs......................................................turn to page 28</td>
<td>Level III.......................................turn to page 27</td>
</tr>
</tbody>
</table>

Global Depositary Receipts

| Reg S + Level I ADR..........................................................see pages 25, 28 |
| Reg S + Level II ADR (Listed) ......................................see pages 26, 28 |
| Reg S + Level III ADR (Listed/Public offering)..................see pages 27, 28 |
| Reg S + Rule 144A DR (Private offering).............................see page 28 |

Of course, these timeframes may vary based on the specifics of your individual program and the timing of regulatory reviews and any regulatory approvals which may be required.

Changing depositaries

If you are appointing a successor depositary (i.e., a new depositary bank replaces a previously appointed depositary bank for your DR program), you’ll follow a different schedule and steps. Please turn to page 29.

Complex transactions

Complex transactions, such as Mergers & Acquisitions that use depositary receipts as currency, require specialized steps and associated timeframes. When a depositary receipt program is already in place, the focus is on the exchange of shares and post-transaction services. These can be found on page 30. New depositary receipt programs can also be established in connection with a complex transaction.
### Level I ADR Program - Sample Timetable

<table>
<thead>
<tr>
<th>Action</th>
<th>Parties Involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish and organize transaction team.</td>
<td>I D L IB IR 1 2 3 4 5 6 7 Ongoing</td>
</tr>
<tr>
<td>Begin planning US investor relations program: create communications</td>
<td></td>
</tr>
<tr>
<td>materials, make web site enhancements, target institutional investors,</td>
<td></td>
</tr>
<tr>
<td>and determine ADR ratio.</td>
<td></td>
</tr>
<tr>
<td>Apply to SEC for Rule 12g3-2(b) exemption from Exchange Act registration.</td>
<td></td>
</tr>
<tr>
<td>Receive comments and amend if necessary. Receive exemption number.</td>
<td></td>
</tr>
<tr>
<td>Negotiate and execute Deposit Agreement.</td>
<td></td>
</tr>
<tr>
<td>Prepare Form F-6 and submit to SEC (along with Deposit Agreement).</td>
<td></td>
</tr>
<tr>
<td>Form F-6 is declared effective by SEC</td>
<td></td>
</tr>
<tr>
<td>Solicit market makers (Form 211).</td>
<td></td>
</tr>
<tr>
<td>Complete requirements for OTC trading and settlement: obtain DTC</td>
<td></td>
</tr>
<tr>
<td>eligibility, CUSIP number, ticker symbol; prepare ADR certificates.</td>
<td></td>
</tr>
<tr>
<td>Program launches and trading begins following ADR “issuance” against</td>
<td></td>
</tr>
<tr>
<td>underlying shares deposited.</td>
<td></td>
</tr>
<tr>
<td>Place tombstone advertisement (optional).</td>
<td></td>
</tr>
<tr>
<td>Distribute press release and broker announcement to media and</td>
<td></td>
</tr>
<tr>
<td>investment community via newswire, internet, and e-mail.</td>
<td></td>
</tr>
<tr>
<td>Conduct roadshow meetings with key investors in the US</td>
<td></td>
</tr>
</tbody>
</table>

Timeframes provided are indicative. In general a Rule 12g3-2(b) exemption will be reviewed by the SEC and, if properly submitted, can be granted within 30 days of submission to the SEC. A Form F-6 can be declared effective by the SEC between 5 and 30 days after filing with the SEC, depending upon the status of the Rule 12g3-2(b) exemption. Regulator’s involvement and issuer’s program specifics may vary and can materially affect timing.

**Key to parties involved:**

I = Issuer  D = Depositary Bank  L = Legal Counsel (for depositary and / or issuer)  A = Accountant  IB = Investment Bank  IR = Investor Relations firm
## Level II ADR Program - Sample Timetable

<table>
<thead>
<tr>
<th>Action</th>
<th>Parties involved</th>
<th>Weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish /organize transaction team.</td>
<td>I D L A I B I R 1 2 3 4 5 6 7 8 9 10 11 12 13 14 Ongoing</td>
<td></td>
</tr>
<tr>
<td>Begin US investor relations program: create communications materials, target institutional investors, organize direct purchase programs for retail investors, and establish employee ownership plans (if applicable). Select ratio.</td>
<td>I D L A I B I R</td>
<td></td>
</tr>
<tr>
<td>Prepare and submit Form 20-F to SEC for approval. Note: depositary provides “description of ADRs” for Form 20-F.</td>
<td>I D L A I B I R</td>
<td></td>
</tr>
<tr>
<td>Negotiate Deposit Agreement</td>
<td>I D L A I B I R</td>
<td></td>
</tr>
<tr>
<td>Submit exchange listing or NASDAQ listing application and agreement. Receive exchange approval.</td>
<td>I D L A I B I R</td>
<td></td>
</tr>
<tr>
<td>Prepare Form F-6 and submit to SEC with DA</td>
<td>I D L A I B I R</td>
<td></td>
</tr>
<tr>
<td>Receive SEC comments on Form F-6, Deposit Agreement and Form 20-F. Amend if necessary.</td>
<td>I D L A I B I R</td>
<td></td>
</tr>
<tr>
<td>Complete requirements for listed trading and settlement; obtain DTC eligibility, CUSIP number and ticker symbol; prepare ADR certificates.</td>
<td>I D L A I B I R</td>
<td></td>
</tr>
<tr>
<td>Receive SEC effectiveness on Forms 20-F and F-6. Execute DA</td>
<td>I D L A I B I R</td>
<td></td>
</tr>
<tr>
<td>Program launches and trading begins following ADR “issuance” against underlying shares; or, if upgrade from Level I, trading through existing supply and / or issuance.</td>
<td>I D L A I B I R</td>
<td></td>
</tr>
<tr>
<td>Place tombstone advertisement</td>
<td>I D L A I B I R</td>
<td></td>
</tr>
<tr>
<td>Conduct roadshow and launch day meetings with key investors in US</td>
<td>I D L A I B I R</td>
<td></td>
</tr>
<tr>
<td>Distribute press release and broker announcements to media and investment community</td>
<td>I D L A I B I R</td>
<td></td>
</tr>
</tbody>
</table>

Timeframes provided are indicative. Regulator’s involvement and issuer’s program specifics may vary and can materially affect timing.

**Key to parties involved:**
- I = Issuer
- D = Depositary Bank
- L = Legal Counsel (for depositary and / or issuer)
- A = Accountant
- IB = Investment Bank
- IR = Investor Relations firm
# Level III ADR Program - Sample Timetable

<table>
<thead>
<tr>
<th>Action</th>
<th>Parties involved</th>
<th>Weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish and organize transaction team.</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Begin US roadshow and ongoing investor relations program: create communications materials, target institutional investors, organize direct purchase programs, and establish employee ownership plans. Select ratio.</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Underwriter conducts preliminary due diligence.</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Prepare and submit to SEC offering circular/propectus and Form F-1. Commit to file Form 20-F within 12 months (if not already being filed in conjunction with an existing Level II ADR). Resolve any and all matters involving registration and disclosure.</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Negotiate Deposit Agreement.</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Submit exchange listing or NASDAQ quotation application and agreement. Receive approval.</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Prepare Form F-6 and submit to SEC with Deposit Agreement.</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Receive SEC comments on Form F-1 and other Forms.</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Complete requirements for trading and settlement; obtain DTC eligibility, CUSIP number and ticker symbol; and prepare ADR certificates.</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Receive SEC declarations of effectiveness on Forms F-1 and F-6. Execute DA</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Conduct roadshow meetings with US investors (group and one-on-one).</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Print final prospectus, price offering, and sell ADRs. ADRs are listed and begin trading.</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td><strong>Closing.</strong> Underwriter delivers cash proceeds to issuer, depositary’s custodian receives underlying shares, and depositary delivers ADRs to syndicate.</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Distribute press release and broker announcements to media and investment community</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
<tr>
<td>Place tombstone advertisement.</td>
<td>I D L A IB IR</td>
<td>I 2 3 4</td>
</tr>
</tbody>
</table>

**Timeframes provided are indicative. Regulator’s involvement and issuers’ program specifics may vary and can materially affect timing. The SEC generally provides comments on Form F-1 registration statements within 30 days of the date filed.**

**Key to parties involved:**
- I = Issuer
- D = Depositary Bank
- L = Legal Counsel (for depositary and / or issuer)
- A = Accountant
- IB = Investment Bank
- IR = Investor Relations firm

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### Rule 144A Depositary Receipts / Global Depositary Receipts Program - Sample Timetable

<table>
<thead>
<tr>
<th>Action</th>
<th>Parties involved</th>
<th>Weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish and organize transaction team.</td>
<td>I D L A IB IR</td>
<td>1 2</td>
</tr>
<tr>
<td>Begin planning US and European roadshow (if Regulation S component),</td>
<td></td>
<td></td>
</tr>
<tr>
<td>communications materials, web site enhancements, and target qualified</td>
<td></td>
<td></td>
</tr>
<tr>
<td>institutional buyers eligible to participate in the offering.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Select ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Draft and print preliminary offering circular for US and non-US</td>
<td></td>
<td>3 4</td>
</tr>
<tr>
<td>tranches. Note: depositary provides “description of ADRs/GDRs” for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>offering circular.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negotiate Deposit Agreement.</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Negotiate placement agent agreement with investment bank.</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Apply for PORTAL system eligibility (for Rule 144A program in the US)</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Arrange Euroclear, Clearstream and DTC eligibility for book-entry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>settlement and delivery.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conduct roadshow with investors.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offering is priced, placement agreement is signed and securities are</td>
<td></td>
<td></td>
</tr>
<tr>
<td>initially sold.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closing: execute Deposit Agreement; placement agent delivers cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>proceeds to issuer; depositary's custodian receives underlying</td>
<td></td>
<td></td>
</tr>
<tr>
<td>shares; depositary delivers ADRs/GDRs to lead placement agent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>through DTC, Clearstream and/or Euroclear (as applicable) for further</td>
<td></td>
<td></td>
</tr>
<tr>
<td>delivery to investors; where permitted, send announcement of program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>to broker community.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADRs/GDRs begin trading (before closing).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If establishing “side-by-side” Level I ADR and Regulation S DR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>programs (traded OTC): 40 days after the last closing of the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulation S only issuance, the issuer and depositary may file a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Form F-6 with SEC to Establish a Level I ADR program.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key to parties involved:**

I = Issuer
D = Depositary Bank
L = Legal Counsel (for depositary and/or issuer)
A = Accountant
IB = Investment Bank
## Transferring a Depositary Receipt Program to JPMorgan (Successor Depositary) - Sample Timetable

<table>
<thead>
<tr>
<th>Action</th>
<th>Parties Involved</th>
<th>Weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer appoints JPMorgan as successor depositary bank.</td>
<td>I</td>
<td>Ds</td>
</tr>
<tr>
<td>Issuer notifies former depositary bank of removal.</td>
<td>I</td>
<td>Ds</td>
</tr>
<tr>
<td>JPMorgan notifies former depositary of its acceptance of appointment.</td>
<td>I</td>
<td>Ds</td>
</tr>
<tr>
<td>Negotiate and execute new Deposit Agreement or amendment to old Deposit Agreement.</td>
<td>I</td>
<td>Ds</td>
</tr>
<tr>
<td>Prepare Form F-6 and submit to SEC with Deposit Agreement.</td>
<td>I</td>
<td>Ds</td>
</tr>
<tr>
<td>JPMorgan provides former depositary with details of depositary transfer and requests information regarding the existing DR program for purposes of the transfer.</td>
<td>I</td>
<td>Ds</td>
</tr>
<tr>
<td>JPMorgan prints new DR certificates or DRS statements for future issuances: currently issued DRs remain outstanding.</td>
<td>I</td>
<td>Ds</td>
</tr>
<tr>
<td>JPMorgan notifies current DR holders of depositary change.</td>
<td>I</td>
<td>Ds</td>
</tr>
<tr>
<td>JPMorgan coordinates transfer of securities from former depositary’s custodian to successor’s custodian.</td>
<td>I</td>
<td>Ds</td>
</tr>
<tr>
<td>JPMorgan notifies DTC and broker community of depositary change.</td>
<td>I</td>
<td>Ds</td>
</tr>
<tr>
<td>Former depositary delivers underlying shares to JPMorgan’s custodian at close of business on the day before JPMorgan’s effective date of engagement.</td>
<td>I</td>
<td>Ds</td>
</tr>
<tr>
<td>Distribute press release and broker announcements to media and investment community via newswire, Internet and email.</td>
<td>I</td>
<td>Ds</td>
</tr>
<tr>
<td>Place tombstone advertisements (optional).</td>
<td>I</td>
<td>Ds</td>
</tr>
</tbody>
</table>

### Key to parties involved:
- **I** = Issuer
- **Ds** = Depositary Bank (successor)
- **Df** = Depositary Bank (former)
- **L** = Legal Counsel (for depo and/or issuer)
- **A** = Accountant
- **IR** = Investor Relations firm
## Execute merger and acquisition transactions using ADRs as currency - Sample Timetable

<table>
<thead>
<tr>
<th>Action</th>
<th>Parties involved</th>
<th>Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft and submit Form F-4 for SEC approval; file Form F-6, if necessary.</td>
<td>I   D   L   A 1 2 3 4 5 6 7 8 9 10 11 12 13</td>
<td></td>
</tr>
<tr>
<td>Prepare draft of communication material for target company’s shareholders.</td>
<td>I   D   L   A 1 2 3 4 5 6 7 8 9 10 11 12 13</td>
<td></td>
</tr>
<tr>
<td>Receive SEC comments; amend F-4, re-file documents with the SEC.</td>
<td>I   D   L   A 1 2 3 4 5 6 7 8 9 10 11 12 13</td>
<td></td>
</tr>
<tr>
<td>Receive SEC effectiveness for F-4 and any Form F-6 filed.</td>
<td>I   D   L   A 1 2 3 4 5 6 7 8 9 10 11 12 13</td>
<td></td>
</tr>
<tr>
<td>Distribute communication material to applicable shareholders.</td>
<td>I   D   L   A 1 2 3 4 5 6 7 8 9 10 11 12 13</td>
<td></td>
</tr>
<tr>
<td>Appoint depositary bank as Exchange Agent for transaction, Exchange Agreement</td>
<td>I   D   L   A 1 2 3 4 5 6 7 8 9 10 11 12 13</td>
<td></td>
</tr>
<tr>
<td>Effective date of merger.</td>
<td>I   D   L   A 1 2 3 4 5 6 7 8 9 10 11 12 13</td>
<td></td>
</tr>
<tr>
<td>Acquiring company’s underlying shares delivered to JPMorgan’s custodian.</td>
<td>I   D   L   A 1 2 3 4 5 6 7 8 9 10 11 12 13</td>
<td></td>
</tr>
<tr>
<td>JPMorgan credits target company’s shareholders with book-entry ADSs or issues physical ADRs.</td>
<td>I   D   L   A 1 2 3 4 5 6 7 8 9 10 11 12 13</td>
<td></td>
</tr>
</tbody>
</table>

Issuers engaging in a public exchange of depositary receipts for other securities would normally file a Form F-4 registration statement with the US SEC and comply with registration and continued reporting requirements of the Exchange Act.

**Key to parties involved:**
- I = Issuer
- D = Depositary Bank
- L = Legal Counsel (for depositary and/or issuer)
- A = Accountant

Beginning with advice on the mechanics of the exchange, the depositary bank plays distinct roles before, during and after the transaction:

- Review and comment on the effectiveness of shareholder exchange material, such as the letter of transmittal, information documents, Q&A, tax information, direct registration of share options, and conversion of direct purchase and dividend reinvestment plans.
- Train shareholder service telephone representatives on the deal and how to respond to all inquiries.
- Convert the target company’s shareholder records from the existing transfer agent to the depositary.
- Coordinate the distribution of exchange materials to all registered holders of the target company;
  - Coordinate the exchange with The Depository Trust Company to reach shareholders holding shares through their bank or broker or in other custodial accounts.
- Coordinate receipt of acquirer’s ordinary shares are local custodian bank.
- Process exchange documentation
- Distribute depositary receipts / cash to new holders.
- Establish and service employee stock ownership and option plans
- Maintain direct purchase / dividend reinvestment plans.
- Provide ongoing support for registered DR holders regarding account balances, transfers, tax reclamation, proxy information and voting, and general inquiries.
- Advise on tactics to maximize ownership, trading and visibility of company.
Maintaining a depositary receipt program requires a strong working relationship between all parties involved. Your depositary plays the key role, facilitating an ongoing dialogue between you and your shareholders and coordinating closely with the custodian in your home market on the issuance and cancellation of depositary receipts and underlying shares.

**Roles and responsibilities**

On an ongoing basis, the depositary bank acts as the intermediary between your depositary receipt holders in other markets and activities in your local market.

<table>
<thead>
<tr>
<th><strong>Issuer</strong></th>
<th><strong>Depository Bank</strong></th>
<th><strong>Custodian</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides depositary with notices of stockholder meetings and corporate distributions.</td>
<td>Issues depositary receipts against the deposit of local shares with the custodian.</td>
<td>Advises the depositary of deposits of shares, including complete delivery instructions.</td>
</tr>
<tr>
<td>Provides custodian and depositary with notices of annual and special / extraordinary stockholder meetings and corporate distributions including dividends and rights offerings.</td>
<td>Provides stock transfer and registration services for depositary receipt holders.</td>
<td>Registers the shares in the depositary’s account as necessary with the issuer’s transfer agent / registrar.</td>
</tr>
<tr>
<td>Ongoing compliance with any applicable stock exchange and SEC regulations, including disclosure and reporting, and corporate governance requirements (in coordination with legal counsel and accountants).</td>
<td>Handles depositary receipt holder services (e.g., answering inquiries, distributing corporate communications materials to registered holders).</td>
<td>Confirms release of local shares upon cancellation of depositary receipts.</td>
</tr>
<tr>
<td>Executes US-focused investor relations (non-US-focused in the case of Regulation S GDRs) plan that may include management visits to targeted US investors, the development of sell-side research, and ongoing shareholder communications.</td>
<td>Delivers detailed reporting to issuer with information on DR holders, the markets, trends and developments</td>
<td>Provides the depositary with copies of notices of shareholders’ meetings, annual reports and other shareholder communications.</td>
</tr>
<tr>
<td></td>
<td>Advises on, coordinates and assists issuer in executing corporate actions and depositary receipt ratio changes.</td>
<td>Remits dividend payments to depositary.</td>
</tr>
<tr>
<td></td>
<td>Converts dividends into US dollars or other applicable currency and transmits to registered DR holders.</td>
<td>Maintains and communicates up-to-date local market information on tax withholding, reclaim, regulatory and settlement issues.</td>
</tr>
<tr>
<td></td>
<td>Produces tax withholding documents (for ADRs), if applicable.</td>
<td>Provides statements of share balances for reconciliation by depositary.</td>
</tr>
<tr>
<td></td>
<td>Maintains custodian relationships.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promotes benefit of investment in depositary receipts to market.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Serves in M&amp;A transactions as exchange agent or cash depositary.</td>
<td></td>
</tr>
</tbody>
</table>
Your depositary will provide ongoing support for issuance and cancellation; corporate actions (including annual and extraordinary meetings) and dividend payments; and general program reporting.

Issuance and cancellation
The depositary and custodian will work closely on the issuance and cancellation of underlying shares and depositary receipts in support of your depositary receipt program.

- Depository receipts are normally created when shares currently trading in a foreign market, or newly issued shares resulting from an offering of securities, are deposited with the depositary’s custodian bank in the issuer’s home market. The depositary then issues depositary receipts representing those shares.
- Conversely, when the demand for shares in the home market is higher than the demand for depositary receipts, the depositary receipts can be cancelled, and the shares are released back into the home market.

Often, depositary receipts are often the only way certain US investors can invest in non-US companies, given the investment criteria of many institutional funds. Investor demand is driven by a number of factors, including:

- Company fundamentals and track record, market conditions and sector performance
- Relative valuations and analyst recommendations
- NYSE/Amex specialist or NASDAQ market maker commitment to supply liquidity of the stock
- Liquidity of shares in the local market and visibility of the company internationally

In some cases, a broker-dealer will choose to purchase shares in the home market even if depositary receipts are available, based on their assessment of factors such as availability, pricing and market conditions in the home market vs. the investor’s market.

What is issuance and cancellation?
“Issuance” and “cancellation” simply refer to the transfer of custody of the share between the home market and the overseas market. These terms do not refer to the purchase, sale or trading of the depositary receipt.

A word about liquidity
Depositary receipts are as liquid as the shares in the home market, because new depositary receipts can be created (or cancelled) as needed based on investor interest. Consequently, the supply of depositary receipts is not constrained by the number of DRs traded at any point in time in the markets where they are available.
Corporate actions

Seamless delivery of corporate actions to your depositary receipt holders begins with good planning and coordination between you and your depositary bank.

- **Annual General Meeting:** Approximately 4 months before the Annual General Meeting date, you and your depositary bank should start planning for the upcoming general meeting. Once you have established and announced the local record date, your depositary bank is responsible for:
  - Working with you to identify, create and finalize materials and enclosures to be mailed to DR holders.
  - Preparing and distributing material to registered holders. If applicable, providing materials to intermediaries for distribution to beneficial holders.
  - Performing a broker search to determine the number of beneficial holders.
Receiving and tabulating voting instructions, then supplying them to you in the form of votes on the underlying securities.

Setting the DR record date to coincide as closely as possible with local market dates and regulations. JPMorgan offers additional services that make it easier to prepare for a successful Annual General Meeting, including: the electronic distribution of voting materials along with e-consent and e-proxy (i.e. electronic voting) to reduce printing and mailing costs and increase response rates; daily status updates on voting; and advice on third parties that may be able to help increase voting percentages.

**Annual Dividend payments:** After you have established the dividend record and payment dates for the underlying shares, you should provide those dates to your depositary bank. At that point:

- The depositary bank sets a DR record date and payment date based on the agreed-upon calendar and market requirements, and communicates these dates to the markets.
- The depositary bank announces the preliminary and final local currency rate to the markets where your DRs trade.
- On payment date, the custodian receives the dividend owed on the underlying shares, based on your record date positions.
- Your depositary bank arranges for the dividend to be converted into US dollars (or other applicable currency) and distributes the net dividend amount to the DR holders of record who entitled to receive dividend payments.

JPMorgan provides you with value-added options such as Global Invest Direct (GID) which gives investors the option of reinvesting their dividends directly back into depositary shares representing your underlying shares. Additionally, we can fully leverage your dividend mailing by including other important notices or company information with the mailed checks, thereby offering you a unique opportunity to communicate more frequently with your DR holders while reducing the costs of ad hoc mailings.

**Reporting**

Timely, accurate information gives you the best picture of the ongoing performance of your DR program. While reporting standards and information delivery varies by depositary banks, you can expect to receive data on:

<table>
<thead>
<tr>
<th>Issuance and cancellation data</th>
<th>Price performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding depositary receipts</td>
<td>Price comparisons of DRs vs. ordinary shares</td>
</tr>
<tr>
<td>Trading volumes / liquidity</td>
<td>Corporate and shareholder account data</td>
</tr>
<tr>
<td>DR holder information</td>
<td>Proxy voting tabulation</td>
</tr>
</tbody>
</table>

JPMorgan’s Management Information Services offer you tremendous flexibility in accessing this information plus detailed reporting on other factors that delivers an integrated, well-rounded picture of your entire DR program.
program. Each month, you’ll receive our monthly “Board Report”, an overview report containing a thorough analysis suitable for sharing with your Board of Directors. In addition, JPMorgan can also provide you with:

- Performance vs. your selected peer group (which can be updated or adjusted at any time).
- Demographic information on your entire DR holder base, with holdings analyzed by DR holder type, geographic location and share range, along with identification of largest holders.
- The ability to customize the frequency of the reporting you receive - monthly, weekly or daily.
- The freedom to pull data as needed from the private “Issuer Services” section of ADR-com, password-protected to secure your data.
- The opportunity to establish email alerts, giving you early notification of changes in activity based on certain performance criteria.
- Account maintenance options that allow you to update account coding or notice/dividend addresses for DR holders.
- Payment and dividend history reflecting your current or cumulative data by DR holder.
- Detailed, current proxy-voting information showing you response rates, voting trends, and the ability to view data by key indicators.

Much of this data is conveniently available to you at any time using adr.com, JPMorgan’s market-leading website for international equities information. The public side of the site contains general information about the depositary receipts market, providing a summary view of the markets that enables contextual understanding of the rich data available on your own depositary receipts program.

**Investors and trading**

DR holders fall into one of two categories: registered holders or beneficial holders.

- **Registered holders** are listed directly with the depositary bank or transfer agent and are typically individual investors who have physical possession of their DR certificates or hold their securities through the direct registration system of the depositary.

- **Beneficial holders** include both individual and institutional investors whose depositary shares are held by third-party broker-dealers or custodian banks. These shares are typically held in The Depository Trust Company (DTC), the centralized clearing system in the United States, whose nominee, Cede & Company, is a registered holder on JPMorgan’s records. These two groups are handled differently during corporate actions. Registered holders provide voting instructions directly to JPMorgan, whereas DTC delegates the proxy voting authority on all depositary shares held in its nominee name (i.e. for beneficial holders of DRs) to DTCs participant banks, brokers and custodial institutions. DTC participants normally arrange for voting to be handled internally or on its behalf by ADP, Inc. The expense incurred by DTC participants to forward voting materials to their customers is borne by the issuer.
Trading Depositary Receipts

The mechanics of purchasing and selling depositary receipts are straightforward and may involve the depositary bank and custodian in addition to the investor and broker.

<table>
<thead>
<tr>
<th>Buying DRs</th>
<th>Selling DRs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Investor instructs a broker to purchase DRs.</td>
<td>- Investor instructs a broker to sell DRs.</td>
</tr>
<tr>
<td>- The broker either purchases existing DRs from the foreign market, or buys shares in the local market to create new DRs.</td>
<td>- The broker either sells the DRs in the foreign market, or sells the shares in the local market and cancels the DRs.</td>
</tr>
<tr>
<td>- To create new DRs (as opposed to buying currently traded DRs), the local shares must be deposited with the local custodian of the depositary bank.</td>
<td>- If the shares are sold in the local market, the broker must deliver the DRs to the depositary bank for cancellation.</td>
</tr>
<tr>
<td>- Upon receipt of local shares at its custodian, the depositary bank issues DRs and delivers them through DTC/Clearstream/Euroclear to the original broker all within standard settlement period.</td>
<td>- Upon receipt of DRs, the depositary bank cancels them and instructs its custodian to deliver the local shares to the purchasing party.</td>
</tr>
</tbody>
</table>

The choice between DRs and underlying shares

Institutional investors may choose to hold either DRs or underlying shares at any particular point in time. While they may have the infrastructure in place to efficiently manage foreign exchange and global custody challenges, several complex factors influence their purchase decisions:

- **Guidelines and investment objectives.** Many US investment institutions are subject to restrictions on direct foreign share ownership. This may place limitations on their ability to hold shares in foreign custody, exceed specific levels of foreign ownership, or hold securities from companies that fall below pre-set capitalization thresholds. These institutions would be more likely to purchase DRs.

On the other hand, an investment institution may track to a recognized non-US stock index (like the S&P ADR Index), or might have in-house capability for foreign brokerage, global custody, local settlement, non-dollar payments, multi-currency accounting, and withholding tax reclaim. These firms may be more likely to rely on their own infrastructure - rather than that of an outside depositary and custodian - and purchase underlying shares.

- **Liquidity.** A more liquid market allows institutional investors to quickly take profits, minimize losses, or trade without affecting the stock’s price. Depending on which market is more liquid, the investor may choose to purchase DRs or underlying shares. The issuance and cancellation mechanism underlying the creation of DRs serves to regulate supply and demand: If there are not enough DRs to meet investor demand, underlying shares can be deposited in the home market and new DRs created.
- **Transaction costs.** The principal advantage of buying DRs is the absence of foreign custody fees. With foreign custody fees ranging from between 10-35 basis points per year, based on the value of the investment, foreign custody fees add up quickly as trades are placed. Annual custodian fees for DR trades, conversely, can be as low as a fixed $34 per year per issue, regardless of the value of the security.

- **Holding time horizon.** The length of time an institution may plan to hold a transaction can factor into the cost/benefit analysis of holding underlying securities or DRs. Shorter time horizons may create a higher demand for lower cost of ownership and increased liquidity, while longer time frames might intensify the desire for a stable marketplace and known transaction fees over a longer period of time. DRs provide a stable, low cost investment option that meets both sets of requirements.

- **Country accessibility.** Certain countries limit foreign ownership, may have risky settlement procedures, control the movement of capital, or make it difficult to reclaim local taxes or transfer taxes due on the purchase of local shares. In these markets, investors may welcome the convenience of ADRs: dollar-denominated executions, familiar settlement procedures, and the avoidance of transfer taxes.
  
  *South Korea, Taiwan and India  Egypt and Pakistan  Venezuela  Italy  Brazil, U.K., Japan*

Depositary receipts are the investment of choice for large institutional holders.

<table>
<thead>
<tr>
<th>Name</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidelity Management &amp; Research</td>
<td>$43,990</td>
</tr>
<tr>
<td>Capital Research &amp; Management Company</td>
<td>24,580</td>
</tr>
<tr>
<td>Dodge &amp; Cox</td>
<td>21,188</td>
</tr>
<tr>
<td>Wellington Management Company, LLP</td>
<td>20,076</td>
</tr>
<tr>
<td>Brandes Investment Partners, LP</td>
<td>20,045</td>
</tr>
<tr>
<td>NWQ Investment Management Company, LLC</td>
<td>16,361</td>
</tr>
<tr>
<td>AllianceBernstein LP</td>
<td>10,917</td>
</tr>
<tr>
<td>Morgan Stanley Investment Management Inc. (U.S.)</td>
<td>10,044</td>
</tr>
<tr>
<td>Lazard Asset Management, LLC</td>
<td>9,916</td>
</tr>
<tr>
<td>JPMorgan Investment Management Inc. (New York)</td>
<td>8,801</td>
</tr>
</tbody>
</table>

Bloomberg, Sept 2006
The Deposit Agreement

Contract

As a first step toward establishing a depositary receipts program, the issuer selects a depositary bank and they enter into a contract known as a Deposit Agreement. The Deposit Agreement sets forth the legal relationship and obligations of the depositary and the issuer, and describes the services and rights the depositary and issuer will provide to DR holders.

Many provisions of a Deposit Agreement are standard, with little deviation from one issuer's agreement to the next other than jurisdictional requirements.

General provisions

The Deposit Agreement includes provisions relating to the following:

- Setting of record dates by the depositary
- Voting of the issuer’s underlying shares (i.e., the shares evidenced by the DRs)
- Issuance of additional shares by the issuer in compliance with applicable securities laws
- Deposit of the issuer’s shares
- Execution and delivery of the DRs
- Transfer and surrender of the DRs
- Obligations and rights of the depositary and the holders of the DRs
- Distribution by the depositary of cash dividends, stock dividends, rights to acquire additional shares of the issuer, and other distributions made by the issuer
- Circumstances in which reports and proxies are to be made available to DR holders
- Tax obligations of DR holders
- Fees and expenses to be incurred by the issuer, the depositary and DR holders
- Pre-release of DRs
- Protections for the depositary and the issuer (i.e. limitations on liabilities)

Voting

The standard voting arrangement is that registered holders of depositary receipts are permitted to instruct the depositary as to the exercise of voting rights, if any, pertaining to the underlying shares. The depositary
bank does not vote the shares in the absence of specific instructions. However, if the issuer so requests, in situations where the depositary is provided a legal opinion by the issuer’s counsel to the effect that voting on behalf of non-instructing DR holders does not violate home market law, a discretionary proxy can be granted to the issuer permitting it to vote the shares represented by unvoted DRs on certain matters. Issuers should be made aware, however, that the larger market participants generally do not hold a favourable view of discretionary proxies.

**ADR certificate**

The text of the ADR certificate (see specimen below) is attached as an exhibit to the Deposit Agreement. A typical ADR certificate resembles an ordinary share certificate, and contains the general terms and conditions of the ADR applicable to ADR holders.

![Specimen ADR Certificate](image)

**Resolution of the board**

As with any significant corporate act, in entering into a DR arrangement, an issuer must comply with the legal and corporate requirements of its home jurisdiction. This would normally include:

- the adoption of a resolution by the company’s board of directors approving the appointment of the depositary, and
- the approval and execution of the Deposit Agreement and any related agreements, and any required SEC filings.

**Background on US legal and regulatory framework**

*US securities laws involve registration, disclosure, on-going financial reporting, and corporate governance*
Principal US federal securities laws

In order to have its securities traded, listed or offered in the US through an ADR facility, a non-US company must comply with US securities laws and regulations.

The Securities and Exchange Commission (SEC) is the agency charged with enforcing the US federal securities laws. The SEC seeks to promote full and fair disclosure to the public of all facts necessary for investors to make investment decisions with respect to the offering and sale of securities.

The two principal US federal securities laws that govern the creation of ADR facilities are:

- **The Securities Act of 1933**, as amended (the Securities Act). Generally governing the offering and sale of securities, the Securities Act requires full and fair disclosure of all information of which investors should be aware in order to make an informed investment decision about securities being offered and/or sold, and contains requirements for the registration of securities to be offered and sold to the public.

- **The Securities Exchange Act of 1934**, as amended (the Exchange Act), regulates the secondary markets for listed or quoted securities and requires on-going reporting by those issuers whose securities are traded in secondary markets.

In brief, the Securities Act governs the offering, sale and registration of securities, while the Exchange Act creates the duties of ongoing disclosure and reporting by issuers.

Materiality, anti-fraud and fair disclosure

A central tenet of US securities law is the concept of “materiality,” applicable to both foreign and domestic issuers. Materiality is considered to be corporate news or actions that may affect an investor’s decision whether to trade a security. In general, material information must be promptly, widely and publicly disclosed. However, non-US issuers are required to disclose material information on a current basis only if it is made public in the issuer’s home country.

The disclosed information must be accurate and truthful. Non-US issuers are subject to US anti-fraud liability for material misstatements of facts or omissions that may deceive or mislead investors.

A related disclosure concept involves Regulation FD (fair disclosure), adopted by the SEC in 2000. This regulation mandates that if material information is disclosed to particular or selected investors or securities professionals (such as analysts), then such information must be broadly and widely disseminated (e.g., through a press release or other readily accessible means) to all investors simultaneously, not in a private manner. Regulation FD underscores the concept that all market participants should have equal access to information with no undue advantage being provided by issuers to any investor or market participant.

The regulation, while not applicable to non-US issuers, represents an advisable ‘best investor relations practice’ for ADR issuers in the US market.
Corporate governance rules for ADR issuers: Sarbanes-Oxley

Background

The Sarbanes-Oxley Act of 2002 (the Act), signed into law in July 2002, instituted a broad set of new reforms regarding the corporate governance of publicly held corporations. The objectives of the Act included: heightening the level of corporate accountability to shareholders; increasing the transparency of financial statements; and reforming the oversight of corporate accounting. The Act directed the SEC to issue enabling rules for certain provisions, and after the adoption of the Act the SEC engaged in an extensive rulemaking process. The Act applies to non-US issuers whose ADRs have been publicly offered in the US (Level III ADRs), or are listed on a US securities exchange (Level II), but not to those whose ADRs trade only OTC (Level I) or privately via Rule 144A.

Overview of key provisions

Audit committee requirements. The Act requires that the audit committee of a company’s Board of Director’s be composed entirely of independent directors. The audit committee’s responsibilities include overseeing and approving outside auditors.

Under SEC rules, in order to be deemed independent, audit committee members cannot receive, directly or indirectly, any consulting, advisory or compensatory fees (including compensation as an officer or employee) from the company, other than for board service, and they cannot be affiliates\(^1\) of the company. These independence requirements apply only to audit committee members, and the Act does not preclude other directors from receiving fees or compensation from, or being affiliated with, a listed company. However, the NYSE and NASDAQ have independence requirements that apply to the full board and may therefore impact non-audit committee members.

The independence criteria under the Act may be inconsistent with legal requirements and corporate governance practices of certain countries. Recognizing this, the SEC provided limited exemptive relief for non-US and ADR issuers. In doing so, the SEC acknowledged that in some cases local corporate governance laws can provide comparable investor protection and should be deferred to in cases of conflicting local market rules. Therefore, in certain situations and subject to certain conditions, the following classes of persons can serve on audit committees: management employees, representatives of controlling shareholders and other affiliates, and government representatives. The SEC also ruled that, for non-US issuers, statutory auditors or auditor oversight bodies can serve in place of audit committees for purposes of the Act if certain conditions are met.

Audit committee financial expert. The Act requires issuers to disclose in their periodic reports (i.e., for ADR issuers, annual reports on Form 20-F) whether or not at least one “financial expert” serves on the audit committee. The qualifications of an audit committee financial expert include an understanding of US GAAP, financial statements, audit committee functions and internal controls and procedures, as well as experience.
in financial statement preparation, auditing, analysis or evaluation. For non-US issuers, such expertise should relate to the accounting principles used by the issuer to prepare its primary financial statements, although an understanding of reconciliation to US GAAP is considered helpful. If the issuer has no such financial expert, the company must explain why it does not have one on its audit committee.

**Certification of financial reports.** In each periodic report filed with the SEC (i.e., Form 20-F filings for listed ADR issuers), the issuer’s CEO and CFO must certify in writing to certain matters, including:

- that the issuer’s financial statements fairly present its financial condition, cash flows and results of operations
- that the report does not contain any material misstatements or omissions
- that certain disclosure controls have been established and followed and the certifying officers have evaluated their effectiveness
- that any significant changes to internal controls over financial reporting have been disclosed in the report and significant deficiencies and material weaknesses have been disclosed to the audit committee and the auditors.

At such time that an issuer becomes subject to internal control report requirements (see below) it must make additional certifications regarding its internal control over financial reporting

In addition, the Act has a separate certification provision containing requirements that are overlapping, but broader in some respects. Under this provision, the CEO and CFO must provide an identical certification with respect to the issuer’s financial statements, but with respect to the periodic report itself, they must certify full compliance with the Securities Exchange Act of 1934. Note: ADR issuers generally submit interim financial information on Form 6-K. These submissions are not considered periodic reports under the Securities Exchange Act of 1934, and are not subject to the certification requirements.

**Management assessment of internal controls.** The Act requires management to submit (along with the annual report on Form 20-F), an “internal control report” which evaluates the effectiveness of the company’s internal controls and procedures followed in the preparation of the financial statements. The annual report must also include management’s assessment of such internal controls, and this assessment must be attested to by the company’s independent auditors. Smaller foreign issuers with a public float of less than $75 million are not required to comply with the internal control requirements until the first fiscal year ending on or after July 15, 2007. All foreign issuers with a public float of $75 million or more are required to comply with the internal control requirements for the first fiscal year ending on or after July 15, 2006.
Improper influence of audits. An issuer’s officers and directors cannot take any action to coerce, manipulate, mislead or fraudulently influence any accountant engaged in an audit.

Prohibition on loans to officers and directors. Issuers are generally prohibited from extending personal loans in any form to any executive officer or director. Loans made prior to signing of the Act are exempt, so long as they are not materially modified or renewed thereafter.

CEO and CFO reimbursement of issuer relating to an accounting restatement. If a company’s accounts need to be restated due to material non-compliance by the company with financial reporting requirements as a result of misconduct, the CEO and CFO must reimburse the issuer for all profits from the sale of the company’s securities, and all bonus, incentive-based or equity-based compensation, received by such officers during the one-year period after the filing of the document that contained the information required to be restated.

Disclosure of material off-balance sheet transactions. All off-balance sheet transactions, obligations and other arrangements that may have a material effect on the company’s financial condition, results, revenues or expenses, liquidity, capital expenditures or capital resources, must be disclosed on an annual basis, filed on Form 20-F.

Disclosure of pro-forma, or non-GAAP financial information. Where a company discloses non-GAAP financial information (e.g., use of EBITDA or results that exclude non-recurring items), the information must not be materially misleading, and all non-GAAP financial measures must be reconciled to the most comparable GAAP financial measure. The SEC carved out a limited exemption to this rule for non-US private issuers meeting the following conditions:

- The securities of the issuer are listed or quoted on a securities exchange or inter-dealer quotation system outside the United States;
- The non-GAAP financial measure is not derived from or based on a measure calculated and presented in accordance with generally accepted accounting principles in the U.S; and
- The financial measure is disclosed outside the US, or is included in a written communication that is released by or on behalf of the issuer only outside the US

Correcting adjustment disclosures. Financial statements must indicate any material correcting adjustments identified by outside auditors.

Code of ethics for senior financial officers. On an annual basis, issuers must disclose whether or not they have a code of ethics (standards designed to deter wrongdoing and promote honest and ethical conduct, including proper disclosure and compliance with law) that applies to the CEO, CFO and chief accounting officer. If an issuer has no code of ethics, it must explain why. A copy of the code of ethics must be filed as an exhibit to an issuer’s annual report.
**Pension fund blackout periods.** During any blackout period of at least three business days during which at least 50% of the issuer’s pension plan participants or beneficiaries are prohibited from trading, executive officers and directors are prohibited from trading equity securities acquired in connection with their service or employment as directors or executive officers. Non US issuers are subject to this provision if the total number of pension plan participants or beneficiaries located in the US who are affected by a blackout is greater than 50,000, or exceeds 15% of the total number of employees of the issuer.

**SEC review of periodic disclosures.** The SEC is directed to conduct a review of the disclosures and financial statements of listed issuers at least once every three years. Factors that may determine the timing of a review include the issuance of a material restatement, significant volatility in the stock price, large market capitalization, disparities in price to earning ratios, and the existence of operations that significantly affect any material sector of the economy.

**Real-time additional disclosures.** The Act mandates that issuers are required to disclose to the investing public, on a “rapid and current basis,” any information concerning material changes in the company’s financial condition or operations. Based on this provision, the SEC issued several implementing regulations relating to current disclosure requirements under Form 8-K. Non US issuers are not subject to these regulations since they are not required to make Form 8-K filings. However, under existing regulations, material information including interim financial information and earnings releases of non-US issuers must generally be furnished to the SEC on Form 6-K, to the extent the information is made public in an issuer’s home country or disclosed to shareholders.

Note: In an effort to maximize the readability and usefulness of this information guide, this section and the following pages constitute only a very general and non-technical summary of legal requirements that are often complex. Numerous details, refinements and exceptions have been omitted. As a working guideline for action, it is suggested that, where even remote doubt exists as to personal or corporate responsibility under the US securities laws, further information and guidance be sought from legal counsel at an early stage before taking any action.
Key SEC rules and filings for ADRs

The type of program you select determines the regulatory and disclosure requirements that apply to you. A high level overview of the requirements for each program is provided for your reference.

Level I ADRs

Rule 12g3-2(b) provides exemption from SEC Exchange Act periodic reporting

- If a non-US issuer plans to create a Level I ADR program to make unlisted securities (in the form of DRs) available to investors over-the-counter, normally no registration of the issuer’s underlying shares will be required under the Securities Act or the Exchange Act. In a Level I program, ADRs are issued against existing shares in the home country market. Since the issuer is not offering or selling any underlying shares in the US, no registration is required under the Securities Act. The ADRs created in connection with the program constitute a separate security under the Securities Act and must be registered on Form F-6 (see below). Once registered, the ADRs can trade based on the Securities Act’s secondary trading exemption. The Exchange Act generally requires that foreign issuers register their shares under the Act once they have more than 300 holders resident in the US. However, Level I ADR issuers can avoid this requirement by relying on the “information-supplying” exemption set forth in Rule 12g3-2(b) promulgated under the Exchange Act. This exemption is available to foreign issuers whose shares are not listed on a stock exchange (NYSE or Amex) or quoted on NASDAQ or the Over-the-Counter Bulletin Board.

Pursuant to 12g3-2(b), the issuer must furnish to the SEC, and agree to furnish in the future, copies of all documents that it:

- Makes or is required to make public pursuant to the law of the country of its domicile or organization, or
- Files or is required to file with a stock exchange on which its securities are traded and which was made public by such exchange, or
- Distributes or is required to distribute to its security holders.

In addition, the issuer must supply the SEC with certain information with respect to its securities and the ownership of its securities in the US. Once the SEC grants the exemption, a 12g3-2(b) exemption number will be issued to the foreign issuer. This number must be referenced on future submissions.

Thus, a non-US issuer may use the information-supplying exemption and, by furnishing to the SEC materials it already makes publicly available, will not be subject to the burdens of complying with the more extensive reporting and other requirements of the Exchange Act.
Form F-6

*Simple, basic registration of DRs with the SEC for Level I, II and III ADRs*

Under the Securities Act, any issuer establishing a publicly available ADR program in the US must register the DRs under the Securities Act. Form F-6 is used to register the DRs that represent the issuer’s underlying securities. Under Form F-6, disclosure regarding a DR program is provided by attaching a copy of the Deposit Agreement that specifies the form of DR included therein. No other substantive disclosure is required.

The Form F-6 must be signed by the depositary, and by the following persons at the issuer:

- The principal executive officer or officers
- The principal financial officer
- The principal accounting officer or controller
- At least a majority of the company’s board of directors or persons performing similar functions; and
- An authorized US representative.

The exhibits required to be filed with the Form F-6 include the Deposit Agreement and a legal opinion issued by the depositary's counsel. The legal opinion states the DRs, when issued, will entitle the ADR holders to the rights specified therein.

After the SEC has reviewed the Form F-6 registration statement and has no further comments, the depositary will provide the SEC with an acceleration request requesting effectiveness of the Form F-6 for a particular date or as soon as practicable thereafter. On the date of effectiveness, issuance and trading of the DRs may commence.

Form 20-F

*Annual disclosure to SEC and registration document for Level II and Level III ADR programs*

Form 20-F can be used to register securities under the Exchange Act and, for issuers that are already registered and are therefore subject to Exchange Act reporting requirements, Form 20-F is used to file annual reports with the SEC.

The major elements of Form 20-F are set forth below. Depending upon the use being made of the Form 20-F (i.e., annual report or registration statement), the instructions to Form 20-F permit certain of the information described below to be omitted.

The major elements of Form 20-F are:

- Identity of directors, senior management and advisors: Identification of the company’s directors and senior management and persons involved in the company’s listing or registration (if applicable) including principal bankers and legal advisers, and auditors.
Key information: Includes selected historical financial data, exchange rate information, a statement of capitalization and indebtedness, and risk factors.

Information on the company: Includes a description of the issuer's business and properties and an overview of important events in the development of its business. If the company is required to provide segment information, disclosure regarding the issuer's business may be presented on the same basis as that used to determine the company's business segments under the body of accounting principles used in preparing the financial statements.

Operating and financial review and prospects: Management discussion and analysis of financial condition and results of operations, corresponding to current requirements for US issuers. This includes requirements for disclosure of off-balance sheet arrangements and tabular disclosure of contractual obligations. This section of the registration statement or report should discuss any aspect of the US GAAP reconciliation and US GAAP differences that the issuer believes is necessary for an understanding of the financial statements as a whole.

Directors, senior management and employees: Includes information regarding the business experience, compensation and shareholdings of directors and management, as well as disclosure relating to general employee matters.

Major shareholders and related party transactions: Disclosure of information about shareholders who hold 5% or more of the company's shares, and any parties that control or may control the company, as well as disclosure of transactions with persons that are affiliated with the company.

Financial information: Presentation of audited financial statements prepared under US GAAP (or reconciled to US GAAP), and disclosure of any legal proceedings, dividend policy, export sales and significant changes since the date of the most recent financial statements included in the filing.

The offer and listing: Description of the issuer's securities, including trading markets and price history.

Additional information: Description of the issuer's share capital, significant provisions of its memorandum and articles of association (including a description of the rights of security holders and a summary of significant differences from US law), its material contracts, the effect of exchange controls, applicable taxes to which US shareholders may be subject, and other relevant information.

Description of securities other than equity securities: Description of any ADRs being registered, or any debt, rights, warrants, or other non-equity securities being registered.

Quantitative and qualitative disclosure about market risk: Disclosure of the company's exposure to market risk associated with derivative financial instruments and other similar instruments.

Where Form 20-F is filed as an annual report, the following additional information must be provided:

Defaults, dividend arrearages and delinquencies: Disclosure of any material defaults in the payment of indebtedness, as well as any arrearages or delinquencies in the payment of dividends on preferred stock.
Material modifications to the rights of security holders and use of proceeds: Disclosure of material changes that affect the rights of holders of the company’s securities that are registered under the Exchange Act. In addition, if an issuer files a registration statement under the Securities Act with respect to an offering of securities, the issuer may be required to describe the use of proceeds from the offering in its subsequent annual reports on Form 20-F. This obligation continues until such time as the application of all the offering proceeds has been disclosed.

Controls and procedures: Form 20-F must include the CEO’s and CFO’s evaluation of the company’s disclosure controls and procedures. Commencing with fiscal years ending on or after July 15, 2006 for larger foreign issuers (with a public float of $75 million or more), and fiscal years ending on or after July 15, 2007 for smaller foreign issuers (with a public float of less than $75 million), Form 20-F will be required to include management’s report on the company’s internal control over financial reporting.

Audit committee financial expert: Identification of the “audit committee financial expert” serving on its audit committee. If the issuer does not have a financial expert it must explain why it does not.

Code of ethics: Disclosure of whether the company has adopted a code of ethics for its CEO, CFO and principal accounting officer. If the issuer has not adopted a code of ethics it must explain why it has not. The issuer is also required to publicly disclose its code of ethics by either including a copy with its Form 20-F filing, posting a copy on its web site or undertaking to provide a copy without charge to any person requesting one.

Principal accounting fees and services: Includes disclosure of fees paid to the company’s principal accounting firm, including audit fees, fees for audit-related services, tax-related fees and fees for other products and services.

Exemptions from the listing standards for audit committees: Disclosure of any reliance upon any exemption from the requirements of the Exchange Act relating to independence of audit committee members, and assessment of whether (and if so, how) this reliance would materially adversely affect the independence of the audit committee.

Note: Under the Sarbanes-Oxley Act of 2002, the CEO and CFO of ADR issuers filing annual reports on Form 20-F must certify as to certain matters, including:

- that the issuer’s financial statements fairly present its financial condition, cash flows and results of operations.
- that the report does not contain any material misstatements or omissions.
- that certain disclosure controls have been established and followed and the certifying officers have evaluated their effectiveness.
- that any significant changes to internal control over financial reporting have been disclosed in the annual report.
that any significant deficiencies and material weaknesses in the internal controls over financial reporting have been disclosed to the audit committee and the auditors.

When the issuer becomes subject to the internal control report requirement, the CEO and CFO must also make certifications regarding the establishment of internal control over financial reporting.

**Form F-1**

*Registering the offering of the securities that underly the ADRs with the SEC*

Publicly offered ADRs, as well as the deposited securities, must be registered with the SEC under the Securities Act. As Form F-6 only effects registration of the ADRs, the underlying securities must be registered typically on Form F-1, a form available for all non-US issuers.

Form F-1 incorporates substantially all of the disclosure standards of Form 20-F that apply to its use as a registration statement, as well as certain additional requirements. The major elements of Form F-1 include:

- Description of the securities being registered, including trading markets and price history
- Description of issuer’s business and properties
- Information concerning management and directors
- Risk factors, a prospectus summary and, if debt securities are being registered, ratio of earnings to fixed charges
- Statement of capitalization and indebtedness
- Intended use of proceeds or principal reasons for the offering
- Key information regarding the conduct of the offering and important dates relating to the offering
- Expected offering price or the factors considered in determining the offering price
- Information regarding dilution to investors in the offering
- Information with respect to selling security holders, if any, participating in the offering.
- Description of the offering including plan of distribution, offering expenses and specific information regarding the underwriters and underwriting arrangements
- Effect that any exchange controls might have on the company or the payment of dividends
- Description of taxes to which US shareholders may be subject
- Explanation of the rights of stockholders and differences from US law
- Financial statements prepared under US GAAP (or reconciled to US GAAP), selected financial data, and operating and financial review and prospects
EDGAR filings required by listed ADR issuers

ADR issuers reporting under the standards of the Exchange Act must comply with a rule governing the electronic filing of disclosure documents through the SEC’s EDGAR system. “EDGAR” stands for Electronic Data Gathering, Analysis, and Retrieval, an electronic filing protocol organized by the SEC for issuers to file their registration statements and disclosure documents required under the US securities laws, rules and regulations. The system allows the general public, investors and the SEC to access and analyze these documents instantly when filed in an electronic format.

Under EDGAR, the following registration and reporting documents must be filed electronically with the SEC:

- Form F-6 (ADR registration)
- Form 6-K (informational reports)
- Form 20-F (annual report/registration statement)
- Forms F-1, F-2, F-3, F-4 (public offerings)

Partial Exemption for Level I ADR issuers: Except with respect to Form F-6 (which must be filed through the EDGAR system), the EDGAR filing obligations do not apply to DR issuers who are exempt from continuing US disclosure obligations under Exchange Act Rule 12g3-2(b). This exemption is typically utilized by ADR issuers whose equity is available on non-listed or OTC markets in the US. These issuers can continue to submit their home market-required disclosure documents to the SEC in paper format.

EDGAR filing process: Non-US issuers typically prepare their SEC filings with input from legal counsel and/or financial printers. These parties are well versed in the Internet transmission of the documents into the SEC’s EDGAR system, and can supervise the filing process. A tutorial on EDGAR filings and procedures can be found at www.sec.gov/edgar.html.

For more information on the SEC, its rulemaking, investor protection and enforcement operations, consult www.sec.gov.
The NYSE and Amex are auction markets, while NASDAQ and OTC are dealer markets

Level II and Level III issuers must choose an exchange on which to list their securities. Each exchange has particular listing requirements which must be met by the issuer.

The principal US listed markets are The New York Stock Exchange (NYSE) and NASDAQ Stock Market (NASDAQ) and The American Stock Exchange (Amex).

Agent and principal markets

The NYSE and Amex are auction-based physical markets where transactions take place as buyers and sellers come together through brokerage firms that act as agents.

NASDAQ is a dealer market. With no physical trading floor, it operates over a computerized network. Dealers act as principals - buying and selling from their own inventories of stocks - and profit from spreads, or the difference between the prices at which they will buy and sell shares.

Auction markets and how they operate: NYSE, Amex

At the NYSE and Amex, each listed stock is assigned to a single post where an assigned specialist manages the auction process. Exchange members bring all orders for listed stocks to the exchange floor either electronically, or by a floor broker. As a result, the flow of buy and sell orders for each stock is funnelled to a single location. This stream of orders provides liquidity—the ease with which securities can be bought and sold without wide price fluctuations.

Specialists usually step into the market as dealers when trading is imbalanced. There may be several buy orders for a particular stock, for example, and no corresponding sell orders. To maintain a continuous market, the specialist will then step into the market as a dealer and sell shares from its own inventory. Similarly, if there are sell orders and no buyers, the specialist will buy shares for its own account. Specialists are not expected to be buyers and sellers of last resort under all conditions, but they are expected to smooth out the ordinary imbalances of trading that occur during a typical day.
**Dealer markets and how they operate: NASDAQ, OTC**

On NASDAQ, there is a minimum of two market makers per issue, and as many as two or three dozen in very active issues.

The decision to register as a market maker in a particular stock is entirely the dealer’s. Usually, the decision is based on whether the dealer believes it can earn a profit from trading the issue, or from corporate finance or equity research activities that the presence of market making helps support. Importantly, prospective market makers must have adequate capital resources.

Market makers also may decide to cease market making in an issue at any time. However, to discourage firms from leaving the market to avoid rough trading periods, the NASD prohibits a firm that ceases market making in a particular stock from resuming quotations in that stock for 20 business days, unless the withdrawal is for one of several permitted purposes such as a regulatory restriction.

On an exchange, a specialist has an obligation to trade, but can request a trading halt if he believes that it is impractical to maintain a fair and orderly market in a particular issue at certain times. On NASDAQ, a market maker cannot halt or interrupt trading of any NASDAQ-listed stock.

The OTC (over-the-counter) market is also a dealer market, but pricing, negotiation and execution generally take place over the telephone between investor and dealer. Note that Pink Sheets LLC operates a subscription Internet site at OTCquote.com for institutions to post real-time OTC ADR quotes.

See Appendix G for the requirements and obligations for listing and trading ADRs on specific US markets.

For a list of ADRs, and the markets where they are listed or traded, visit adr.com.

**US listing requirements**

The **New York Stock Exchange**

Non-US corporations may elect to qualify for listing under either the alternate listing standards for non-US corporations, or the NYSE’s domestic listing criteria. However, an applicant company must meet all of the criteria within the standards under which it seeks to qualify for listing.

**Non-US listing standards**

The non-US listing standards are designed to provide flexibility to major foreign corporations seeking to list their shares on the NYSE. The principal criteria focus on worldwide rather than US share distribution and financial results.

<table>
<thead>
<tr>
<th>Non-US listing standards - NYSE</th>
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<tbody>
<tr>
<td><strong>Size and earnings</strong></td>
</tr>
</tbody>
</table>
- Pre-tax income of $100 million cumulative for the last 3 years
- Minimum pre-tax income of $25 million in each of the 2 most recent years

In addition, the issuer must meet either of the following two criteria:

- Global market capitalization of $500 million together with revenues of $100 million for the most recent 12-month period and aggregate cash flow of $100 million for the last 3 years with a minimum of $25 million in each of the 2 preceding years; or
- Global market capitalization of $750 million together with revenues of $75 million for the most recent fiscal year.

**Distribution**

- 2.5 million publicly held shares worldwide with a market value of $100 million
- 5,000 round lot shareholders worldwide (holding units of 100 or more shares)

**Domestic listing standards**

Domestic listing requirements call for minimum distribution of a company's shares within the United States. Distribution of shares can be attained through US public offerings, acquisitions made in the US, or by other similar means.

**Domestic listing standards - NYSE**

**Size and earnings**

The issuer must meet one of the following criteria:

- Aggregate pre-tax earnings of $10 million cumulative for the last 3 years with a minimum of $2 million in each of the 2 most recent years; or
- Not less than $500 million of global market capitalization together with revenues of $100 million for the most recent 12-month period and aggregate operating cash flow of $25 million for the last 3 years with a positive amount in each year; or
- Global market capitalization of $750 million together with revenues of $75 million for the most recent fiscal year.

In addition, the market value of publicly traded shares must equal or exceed $100 million ($60 million for IPOs, spin-offs, carve-outs).

**Distribution**

- 1.1 million publicly held shares

- (A) 2,000 round lot shareholders, in the US, or (B) 2,200 total shareholders together with average monthly trading volume of 100,000 shares for the most recent 6 months, or (C) 500 total shareholders together with average monthly trading volume of 1 million shares for the most recent 12 months.

**Listing fees for the NYSE**

- **Original listing fees:** Minimum of $150,000 to maximum of $250,000, based on the number of ADRs outstanding.

- **Annual continuing fees:** Based on the number of ADRs outstanding, subject to a minimum of $38,000.

  The total fees that can be billed to an issuer in any calendar year are capped at $500,000.

These fees apply to both US and foreign listed companies.
American Stock Exchange

To be listed on the Amex, a non-US (or US) company must meet these requirements:

<table>
<thead>
<tr>
<th>Listing standards - Amex</th>
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<tbody>
<tr>
<td><strong>Size and earnings</strong></td>
</tr>
<tr>
<td>The issuer must meet one of the following 4 alternative criteria:</td>
</tr>
<tr>
<td>1. Pre-tax income of $750,000 in the latest fiscal year, or in two of the last three fiscal years, together with public float having a market value of $3 million and $4 million in shareholders equity; or</td>
</tr>
<tr>
<td>2. Public float having a market value of $15 million and $4 million in shareholders equity; or</td>
</tr>
<tr>
<td>3. Market capitalization of $50 million together with public float having a market value of $15 million and $4 million in shareholders equity; or</td>
</tr>
<tr>
<td>4. Public float having a market value of $20 million together with either (i) pre-tax income of $75 million in the latest fiscal year, or in two of the last three fiscal years or (ii) $75 million in total assets and $75 million in revenues.</td>
</tr>
<tr>
<td><strong>Distribution</strong></td>
</tr>
<tr>
<td>Minimum public distribution of (i) 800 public shareholders and public float of 500,000 shares; or (ii) 400 public shareholders and public float of 1 million shares; or (iii) 400 public shareholders, public float of 500,000 shares and daily trading volume of 2,000 shares for the prior 6 months.</td>
</tr>
<tr>
<td><strong>Listing Fees</strong></td>
</tr>
<tr>
<td>Original listing fee is $40,000 for non-US companies listed on foreign exchanges. Annual continuing fees range between $16,500 and $34,000 based on the number of ADRs outstanding.</td>
</tr>
</tbody>
</table>


Note: In evaluating listing eligibility, Amex also considers qualitative factors such as the nature of a company’s business, market for its products, reputation of its management, historical record and pattern of growth, financial integrity, demonstrated earnings power and future outlook. In addition to meeting listing standards, issuers must also comply with the Amex’s corporate governance requirements.

NASDAQ

While the name “NASDAQ” is often associated with all dealer equity trading, technically the NASDAQ Stock Market consists of two markets: the NASDAQ National Market, designated for the larger issues; and the
NASDAQ Capital Market, where the shares of company with smaller capitalization are traded.

**NASDAQ National Market:** To be listed on the NASDAQ National Market, a non-US (or US) company must meet these requirements:

<table>
<thead>
<tr>
<th>Listing standards - NASDAQ National Market</th>
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<tbody>
<tr>
<td><strong>Size and earnings</strong></td>
</tr>
<tr>
<td>The issuer must meet one of the following 3 alternative criteria:</td>
</tr>
<tr>
<td>1. Stockholders’ equity of at least $15 million together with pre-tax income from continuing operations of at least $1 million in latest fiscal year or in two of the last three years and public float having a market value of $8 million; or</td>
</tr>
<tr>
<td>2. Stockholders’ equity of at least $30 million together with public float having a market value of $18 million; or</td>
</tr>
<tr>
<td>3. Public float having a market value of $20 million together with either (i) listed securities having a market value of $75 million or (ii) $75 million in total assets and $75 million in total revenues.</td>
</tr>
<tr>
<td><strong>Distribution</strong></td>
</tr>
<tr>
<td>• Public float of 1.1 million shares with a minimum bid price of $5.</td>
</tr>
<tr>
<td>• Minimum of 400 round lot shareholders (each owning 100 shares or more).</td>
</tr>
<tr>
<td>• Minimum of three market makers, except that four are required if alternative 3 under “Size and earnings” is utilized.</td>
</tr>
<tr>
<td><strong>Listing Fees</strong></td>
</tr>
<tr>
<td>Original listing fees for ADR issuers range from $100,000 to $150,000 based on the number of ADRs issued and outstanding.</td>
</tr>
<tr>
<td>Annual continuing fees for ADR issuers range from $21,225 to $30,000 depending on the number of ADRs issued and outstanding.</td>
</tr>
</tbody>
</table>

**NASDAQ Capital Market:** To be listed on the NASDAQ Capital Market, a non-US (or US) company must meet these requirements:

<table>
<thead>
<tr>
<th>Listing standards - NASDAQ Capital Market</th>
</tr>
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<tbody>
<tr>
<td><strong>Size and earnings</strong></td>
</tr>
<tr>
<td>The issuer must meet one of the following 3 alternative criteria:</td>
</tr>
<tr>
<td>1. Stockholders’ equity of at least $5 million; or</td>
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<tr>
<td>2. $50 million in market value of listed securities; or</td>
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<tr>
<td>3. $750,000 in net income from continuing operations in latest fiscal year or in two of the last three fiscal years.</td>
</tr>
<tr>
<td><strong>Distribution</strong></td>
</tr>
<tr>
<td>• Public float of at least 1 million shares having a market value of $5 million and a minimum bid price of $4; in addition, for ADR listings, at least 100,000 ADRs must be issued.</td>
</tr>
<tr>
<td>• Minimum of 300 round lot shareholders (each owning 100 or more shares).</td>
</tr>
<tr>
<td>• Minimum of three market makers.</td>
</tr>
</tbody>
</table>
### Listing Fees

- **Original listing fees for ADR issuers** range from $25,000 to $50,000 depending on the total number of ADRs issued and outstanding.
- **Annual continuing fees for ADR issuers** range from $17,500 to $21,000 depending on the total number of ADRs issued and outstanding.

Source: NASDAQ; [www.nasdaq.com](http://www.nasdaq.com)

The information supplied here is accurate at time of printing. Please visit [www.nasdaq.com](http://www.nasdaq.com) for current information.

Note: In addition to meeting listing standards, issuers must also comply with NASDAQ's corporate governance requirements.

### OTC bulletin board

Shares of several thousand US public companies that don’t meet NASDAQ’s financial requirements—yet are registered with the SEC and are subject to periodic reporting requirements—trade on the OTC Bulletin Board, a NASD-operated over-the-counter market that displays real-time pricing electronically.

There are no listing and maintenance fees paid by issuers in this market. However OTC Bulletin Board companies are required to be subject to periodic reporting under the Exchange Act.

Note: Level I ADRs are exempt from Exchange Act reporting under Rule 12g3-2(b). They are ineligible for the OTC Bulletin Board and typically trade on the Pink Sheets, which is a separate over-the-counter market.

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1 An affiliate is defined as a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified person. Control is defined as the possession, direct or indirect, of the power to direct or cause the direction of the management and policies or a person, whether through the ownership of voting securities, by contract, or otherwise. For purposes of the Act, a person is not considered to have control of an issuer if such person owns less than 10% of the outstanding voting securities and is not an executive officer of the issuer.
Acquisition
The purchase by one company of another, for cash, an exchange of shares, or a combination of both. Depositary Receipts can be used as currency in an acquisition.

Adr.com
JPMorgan’s leading edge internet-based issuer support tool that provides convenient “on demand” access to detailed information about a depositary receipts program. Comprehensive data allows issuers to monitor program liquidity and market acceptance with access to information on issuance, cancellation, depositary receipts outstanding, broker-trading activities, and premium/discount analysis of ordinary shares vs. depositary receipts.

ADR certificate
A certificate, similar to an ordinary share certificate, that contains the general terms and conditions of the ADR applicable to ADR holders.

ADR ratio
The number of underlying shares represented by one Depositary Receipt (DR). A ratio typically depicted as 1:3 would reflect one DR representing three underlying shares. In cases where the share price in the home market is very high, for example, a 3:1 ratio would indicate that three DRs represent one underlying share.

American stock exchange (AMEX)
A principal U.S. listed market. See Auction market

Annual General Meeting
A meeting held after financial year-end, where the company’s shareholders are invited to vote acceptance of the company's annual report, balance sheet and final dividend. Companies often use the meeting to tell shareholders about corporate business prospects in the early months of the new financial year.

Annual report
A status report providing information about the current condition of a company. The annual report is typically issued once a year for shareholders to examine before the annual general meeting.

Auction market
Stock exchanges, like the New York Stock Exchange and the American Stock Exchange, are auction markets where buyers and sellers meet through a specialist. NASDAQ is a dealer market where competing market makers offer to buy and sell stock—acting as principals.

Beneficial DR owners
Beneficial owners are the investors who actually receive the benefits of owning a particular share (dividends, voting rights, share price increase). These shares are normally held in “street name” by banks and brokers within a securities depository institution, known as DTC, or The Depository Company (see below). This arrangement facilitates trading and settlement. It is estimated that approximately 80–90% of all shares (and DRs) are held in street name.

Blue Sky laws
In addition to federal or U.S. laws regulating securities (i.e., the Securities Act and the Exchange Act), there are also state-mandated “Blue Sky” laws governing the sale and offering of securities among the 50 U.S. states to further protect investors from fraudulent practices. Listed securities (Level II and III programs) are generally exempt from the registration provisions of the Blue Sky laws. Issuers of unlisted securities (Level I) can avoid the need to register their securities in most states if they publish certain financial disclosure in so-called “recognized” securities manuals.
**Buy-side**
Financial institutions whose primary business is to make investments either for themselves or on behalf of other investors. The opposite of sell-side (financial institutions whose primary business is trading).

**Cash flow**
A term that describes an issuer’s cash earnings, as opposed to after-tax earnings. Cash flow is net income plus depreciation and amortization.

**CEDE & Co**
The nominee name for the Depository Trust Company. CEDE & Co. represents the aggregate position of the DTC.

**Clearstream**
An international system for the clearing, settlement and custody of securities, created in 2000 by the merger of Cedel International and Deutsche Borse Clearing.

**Convertible securities (bonds or notes)**
Securities that can be converted under specified circumstances into a preset number of shares at a pre-set conversion price. This price is usually at a premium over the current or average price, but purchases of the convertible bond hope the price of the underlying stock will rise.

**Cross border**
Financial and economic activities that span national borders.

**CUSIP number**
A unique identification number assigned to a security to facilitate clearing operations. The numbering system used in the U.S. is administered by the Committee on Uniform Security Identification Procedures (CUSIP).

**Custodian**
A custodian is an agent for the depositary bank, which holds the ordinary shares underlying the DRs in the issuer’s home market. When new DRs are issued, the custodian accepts additional ordinary shares for safekeeping. When DRs are canceled, the custodian releases the ordinary shares in accordance with instructions received from the depositary. The custodian acts on instructions given by the depositary to collect and remit dividends, and forwards notices and reports to the depositary. Custodians are appointed by the depositary.

**Dealer (market maker)**
Dealers, also called market makers, use their own capital resources to represent a stock. Many market makers can represent the same stock; thus, they compete with each other to buy and sell that stock to investors. A market maker maintains firm bid and offer prices in a given security by standing ready to buy or sell at publicly quoted prices.

**Debentures**
Long-term debt that is not secured by a specific property, but that gives bondholders the claim of general creditors over all assets that are not specifically pledged elsewhere.

**Deposit agreement**
A contract between an issuer and depositary bank that sets forth the legal relationship and obligations of each party.

**Depositary bank**
A bank or trust company organized in the U.S. which oversees all the stock transfer and agency services in connection with a depositary receipt program

**Depositary receipt (DR)**
A DR is a negotiable certificate that represents ownership of shares of an overseas company that is held in
custody in an issuer’s home market. The structure of a DR includes a ratio, which correlates the amount of underlying shares to the receipt. A DR can be canceled for its underlying shares at anytime.

**Depositary share (DS)**
A DS is the instrument that is actually traded. It represents the underlying share, which trades in the issuer’s home market. Although the terms DR and DS are used interchangeably (including in this Reference Guide), the difference is that a DR is the certificate while the DS is the share.

**The Depository Trust Company (DTC)**
DTC is the primary electronic safekeeping, clearing and settlement organization for securities traded in the U.S. DTC uses electronic book-entry to facilitate settlement and custody rather than physical delivery of certificates.

**Derivative**
A generic term often applied to a wide variety of financial instruments that derive their cash flows, and therefore their value, by reference to an underlying asset, reference rate, or index. Options on DR issues, for example, would be derivative securities. An option to purchase the S&P 500 index is also a derivative.

**Direct purchase plans**
Direct purchase plans allow investors to purchase DRs without a broker and with minimal fees. JPMorgan pioneered direct purchase plans for DR issuers in 1996 with Global Invest Direct, the first no-load DR direct purchase plan program. Such no-load DR programs permit investors to buy DRs without a broker with minimal fees. Direct purchase plans are popular in the U.S., as they are similar in approach to U.S. mutual funds.

**Direct registration system**
The direct registration system is a method of recording registered security ownership in the U.S. by electronic means. It enables electronic registration on the books of an issuer’s transfer agent or registrar, therefore eliminating the need for DR certificates as well as the direct cost and risk to investors of safeguarding their securities. DR owners enrolled in issuers’ direct purchase plans also benefit from electronic book-entry holding.

**Diversification**
The spreading of investment risk by constructing a portfolio that contains many different investments whose returns are relatively uncorrelated. Risk levels can be reduced without a corresponding reduction in returns.

**Dividend Reinvestment Plan (DRIP)**
A plan enabling DR holders to automatically reinvest dividend payments to purchase additional DRs. Direct purchase plans often have dividend reinvestment features.

**Dividends**
Dividends for ADRs are generally paid in U.S. dollars. Under the The Jobs and Growth Tax Relief Reconciliation Act of 2003, signed into law in May 2003, a variety of individual income tax rates, including for equity investors the rates on dividends and capital gains, are generally reduced to a maximum of 15%, compared to higher ordinary income tax rates. In general, ADRs listed on U.S. exchanges or on Nasdaq qualify for the lower rate on dividends.

**Exchange Agent**
The entity providing the agency service of accepting presentations from investors of one security in exchange for a different security in the context of an exchange offer, merger or other similar transaction.

**ECNs**
ECNs (Electronic Communications Networks) are off-exchange electronic trading networks that compete with exchanges as markets for U.S. and non-U.S. securities. ECNs (e.g., Instinet, Archipelago) provide additional liquidity for securities by offering automated order entry and execution capabilities for institutions, market makers and individual investors.
EDGAR
The SEC’s Electronic Data Gathering, Analysis, and Retrieval system that is used by all public companies to transmit required filings, such as quarterly reports and annual reports and ongoing disclosure obligations.

Euroclear
An international clearing organization that provides clearance/settlement and borrowing/lending of securities and funds through a computerized book-entry system. The system covers both bonds and equities and serves major financial institutions in more than 80 countries.

Extraordinary general meetings
A company meeting of shareholders called for an extraordinary purpose such as the approval of a merger or a capital increase. This is in contrast to the annual general meeting (a routine meeting of shareholders to approve the accounts and dividend payments and to elect directors).

Flowback and flow forward
Flowback means the ADR supply is reduced due to net selling by U.S. investors. This occurs when ADRs are canceled and the underlying shares are released by the custodian and sold into their home market. Flow forward is the reverse, meaning that ADR supply is being created from ordinary shares and U.S. ADR ownership increases. Flowback does not necessarily mean that U.S. investors are reducing their exposure to the company. It could indicate U.S. investor preference for the purchase of the ordinary shares.

Institutional investors
Financial institutions, such as pensions funds and investment trusts, that invest large amounts of capital in financial markets on behalf of their clients.

Investor relations
The practice of communicating information about a company and its financial performance to existing and potential shareholders.

Listing requirements
The criteria that must be met before a stock is listed and ready to trade. Each market sets its own requirements, which may include considerations such as the number of publicly-held shares, the number of shareholders and published accounts for a minimum number of years.

Liquidity
The ease with which securities can be traded on a market and turned into cash. Markets or instruments are described as being liquid, and having depth or liquidity, if there are enough buyers and sellers to absorb sudden shifts in supply and demand without price distortions.

Market capitalization
The price of a stock multiplied by the total number of shares outstanding. This is also the market’s total valuation of a public company.

Market makers
See dealer.

Material news
Under U.S. securities law, corporate information needs to be broadly and immediately disclosed to the market if it is “material” - that is, reasonably expected to affect the value of a company’s securities or influence investors’ decisions whether to buy or sell the securities. Material news includes, without limitation, information regarding corporate events of an unusual and non-recurring nature (e.g., news of tender offers, unusually good or bad earnings reports, a stock split or stock dividend).

Mergers
The joining together of two or more companies. Can also represent an acquisition or takeover.

NASD
A U.S. regulatory organization for brokers and dealers that enforces legal and ethical standards.
**NASDAQ**
The National Association of Securities Dealers’ Automated Quotations System, formerly owned and operated by the National Association of Securities Dealers (NASD). NASDAQ is an electronic stock market based in New York listing many leading high-tech companies.

**Negotiable instrument**
A security that can be traded or transferred freely.

**No load stock program**
See Direct purchase plans.

**Notes**
Medium-term government debt instruments, equivalent to bonds, which typically have a maturity from two to five years. Notes can be represented in the U.S. by creating American Depositary Notes.

**NYSE**
A principal U.S. listed market. See Auction market

**OTC Bulletin Board (OTCBB)**
The OTCBB is a regulated quotation service that displays real-time quotes, last-sale prices, and volume information in over-the-counter (OTC) equity securities. OTC securities, generically, are equities that are not listed or traded on an organized exchange.

**Paying agent**
An institution appointed to supervise the payment of dividends to shareholders and the payment of principal and interest to bond holders, on behalf of the issuers of those shares or bonds. For floating rate notes the paying agency also sets the level of the coupon each quarter, based on a reference interest rate on a predetermined day.

**Payment date**
The date on which a dividend payment is due to be paid.

**Pink Sheets**
Pink Sheets LLC is the leading provider of pricing and financial information for the over-the-counter (OTC) securities markets. Its centralized information network includes services designed to benefit market makers, issuers, brokers and OTC investors.

**PORTAL**
PORTAL is an acronym for Private Offerings, Resales and Trading through Automated Linkages - a screen-based automated system that provides security descriptions and pricing information specifically for 144A issues. PORTAL was developed by the NASD to support the distribution of private offerings and to facilitate liquidity in the secondary trading of Rule 144A Securities.

**Private placement**
An offering of securities that is placed directly with investors and is not listed on a stock exchange. See Rule 144A.

**Privatization**
The sale of state-owned commercial and industrial businesses to the private sector by the government.

**Proxy**
A written authorization by a shareholder for another party, or a company’s board of directors, to cast votes on their behalf at a shareholder meeting.

**Public float**
Shares generally available for trading and distribution among public investors are considered an issuer’s public float. Public float is often defined as shares that are not held directly or indirectly by any officer or
director of the issuer, and by any other person who is the beneficial owner of more than 10% of the total shares outstanding.

**Public offering**
An offering of shares to the public by a privately owned company. Public offerings are used by companies to raise new funds. The issuer normally offers the shares to the public through an underwriter who sets the price, promotes the offering and usually guarantees to take the shares at a certain price, to protect the issuer against adverse market movements.

**Qualified Institutional Buyer (QIB)**
QIBs are investors eligible to participate in the Rule 144A market. The SEC defines these primarily as institutions that manage at least $100 million in securities including banks, savings and loans, insurance companies, investment companies, public employee benefit plans, employee benefit plans under ERISA, or an entity owned entirely by qualified investors. Also included are registered broker-dealers owning and investing, on a discretionary basis, $10 million in securities of non-affiliates.

**Record date**
The date on which a shareholder must be the official owner of shares to be entitled to the dividend. This date is set by the board of directors.

**Registered ADR owner/shareholder**
Registered shareholders are listed directly with the issuer or its U.S. transfer agent on the company’s share register. An issuer’s depositary bank can provide the identities of registered shareholders on a regular basis. Registered owners either hold ADR certificates or hold in electronic form (ADRs), with periodic statements sent to holders. Registered ownership facilitates direct communications with ADR holders.

**Regulation FD**
Regulation FD (or Reg FD for “fair disclosure”), which technically applies to U.S. issuers, mandates that corporate material information be distributed simultaneously and broadly to all investors and the general public, and not selectively to a few or favored investors, analysts or other securities professionals. Regulation FD increases the transparency and frequency of corporate information, and is an advisable practice for ADR issuers.

**Rights offering**
One method for issuers to raise equity capital without diluting the equity stakes of investors is to offer existing holders the right to purchase additional shares. Holders of the stock are typically granted the right to subscribe for and purchase a set number of shares (ADSs) for each share (ADR) held. Typically, the rights are transferable and publicly traded during a subscription period.

**Rule 12g3-2(b)**
Under certain circumstances, the SEC exempts non-U.S. companies wishing their shares to be traded in the U.S. from the full requirements of periodic reporting. The information supplying exemption, also known as a Rule 12g 3-2(b) exemption, can be obtained by those non-U.S. corporations that are not seeking a listing on a national exchange, or are not intending to launch a public offering of their securities.

**SEC (Securities and Exchange Commission)**
The US regulatory body responsible for overseeing and administering rules associated with all sectors of the securities industry. Its main aim is to protect investors and maintain the integrity of the markets by full public disclosure.

**Sector**
A distinct subset of a market, society, industry, or economy, whose components share similar characteristics. Stocks are often grouped into different sectors depending upon the company’s business.
Securities Act of 1933
The first Congressional law enacted in the U.S. to regulate the securities industry. The Securities Act of 1933 required registration and disclosure and included measures to discourage fraud and deception.

Securities Exchange Act of 1934
The Act that created the SEC, outlawed manipulative and abusive practices in the issuance of securities, required registration of stock exchanges, brokers, dealers, and listed securities, and required disclosure of certain financial information and insider trading.

Segment reporting
See U.S. GAAP

Sell-side
The term used to describe financial institutions whose primary business is trading. The opposite of buy-side, where financial institutions make investments either for themselves or on behalf of other investors.

Settlement
The conclusion of a securities transaction; a broker/dealer buying securities pays for them; a selling broker delivers the securities to the buyer’s broker.

Shareholder
An individual who holds shares or stock in a company.

Share buybacks
Used as a corporate finance strategy to signal to the market that its shares are under-valued, companies purchase their own shares on the open market or through an offering. A company’s buyback program can increase the demand for its shares or DRs, and reduce their supply. Buybacks can also be a method for cash-rich companies to provide “tax-free dividends” to shareholders. Corporate law in countries around the world varies as to the extent, percentage and permissibility of buybacks.

Specialist
The specialist plays an essential role in the auction market process (e.g., NYSE and Amex). As the “broker’s broker,” the specialist brings together buyers and sellers of the stock of the listed companies to which it is assigned. In the event of order imbalances, where either buyers or sellers are outnumbered, the specialist has an affirmative obligation and responsibility to act as principal.

Stock options
Options that give the holder the right, but not the obligation, to buy or sell a stock or share at a particular price on or before a certain date.

Stock split
The division of outstanding shares of a corporation into a larger number of shares. For example: In a 2-for-1 split, each holder of 100 shares would then have a total of 200 shares, and the price is divided in half

13-F reporting institution
Any investment manager who manages $100 million in equity assets must file a 13-F form with the SEC each quarter detailing all securities held, and the number of shares. Included in this category of investors are certain banks, insurance companies, investment advisors, investment companies, foundations and pension funds. The data is used by issuers to identify institutional ownership, monitor changes in ownership quarter-by-quarter, and track peer company investors.

Transfer agent
The transfer agent’s main function is to maintain a register of owners. To achieve this, transfer agents keep a record of transfers of ownership of securities (i.e., when one shareholder sells a security to another shareholder). Transfer agents also handle a wide range of other services pertaining to the register (e.g., shareholder mailing addresses, dividend payment, proxy distribution, and related services).
**U.S. GAAP (and segment reporting)**
United States Generally Accepted Accounting Principles (U.S. GAAP) is the presentation of financial statements as approved by the SEC and the Financial Accounting Standards Board.

**Underwriter**
The institution that agrees, for a fee, to take up a specific quantity of a new issue at the issue price if there is insufficient demand.

**Warrant**
A type of financial instrument attached to a security that has a separate life and value. A warrant allows the investor to purchase ordinary shares at a fixed price over a period of time (years) or to perpetuity. The price of the shares is usually higher than the market price at the time of issue. A warrant is freely transferable and can be traded separately.

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**Contact information**
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More information on ADRs is available at adr.com, JPMorgan’s source for ADRs and international equities. JPMorgan’s Global ADRenalin equity research is available through the Bloomberg Professional® service under “ADRJ”. The pricing and constituent list for the S&P ADR Index, an ADR index developed with JPMorgan, is available at adr.com and spglobal.com. Information on JPMorgan’s ADR MAX, a web and trader enabled platform for broker-dealers and investors to execute ADR-ordinary share cross-book transactions, can be accessed at adrmx.com. For comprehensive search tools on the entire ADR universe, see adr.com/universe.

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